

Aquino Begins Drive For New Constitution; Enrile Leads Opposition

By Keith B. Richburg
Washington Post Service

NAGA, Philippines — President Corason C. Aquino has officially launched a drive for approval of a new constitution, opening a campaign that has largely become a test of her popularity and a referendum on her government.

In rallies Saturday at Naga, a pro-government stronghold in the Bicol region, and at nearby Legazpi City, Mrs. Aquino and other officials barely mentioned the constitution. Instead, they spoke of the president's accomplishments after two decades of political and economic atrophy under Ferdinand E. Marcos.

The constitution is expected to win resounding approval in the Bicol region, which gave Mrs. Aquino her largest margin of victory over Mr. Marcos in elections 11 months ago. But from the placards on display, and from conversations with some spectators wearing yellow "I Love Cory" shirts and headbands, it was clear that the people of Bicol

would be voting yes because of Mrs. Aquino, not necessarily because of a constitution that few say they have read or understand.

The president's most vocal critic, former Defense Minister Juan Ponce Enrile, established himself Saturday as the new leader of the political opposition by opening a campaign to reject the constitution in the Feb. 2 plebiscite.

Mr. Enrile, like the president's backers, has made the campaign a referendum on Mrs. Aquino.

In appearances on Mindanao Island in the south, Mr. Enrile used some of his harshest language to date to attack the government, calling it a "dictatorship, no more, no less." Although he led the revolt that installed Mrs. Aquino, Mr. Enrile was dismissed from her cabinet nine months later amid rumors of a coup.

"We should reject the constitution in order not to establish a precedent for future dictators of the Filipino people," he said at a rally of the opposition Nacionalista Party, of which he is the de facto leader. He accused the government of using political blackmail and of "putting the gun to your head" in demanding approval of the constitution.

"The Aquino government's ability and capacity to exist and survive solely depend upon the force of arms of the armed forces of the Philippines," he said. The rallies Saturday seemed to mark a symbolic resumption of political life in the Philippines. Politics was once again to be national sport, but until last year's presidential campaign it had become a sideshow during Mr. Marcos' 20-year one-man rule.

Before the campaign openings Saturday, the myriad political parties on left and right had begun jockeying for position and forging alliances, using the constitution campaign as the first real test of strength before elections in the spring.

In one unusual partnership, Mr. Enrile, an ardent anti-Communist, finds himself on the same side as a Communist-influenced party called Partido ng Bayan, Partido ng Bayan, which earlier said it would support the constitution with reservations, is now leaning toward opposing it, asserting that the charter does not adequately address social injustices.

The constitution is also opposed by the remnants of Mr. Marcos' party, the New Society Movement, or KBL, which has been seeking a role in the post-Marcos era.

Since Mrs. Aquino declared a "revolutionary government" in March, the country has had no legislature. All elected village and provincial politicians were dismissed, replaced by appointees who critics charge are incompetent.

The conflicting political egos of members of Mrs. Aquino's cabinet have produced some public squabbles, and the government has faced almost weekly threats of a coup, first from Marcos loyalists and later from a group of young, middle-level army officers loyal to Mr. Enrile.

There is also a persistent threat from well-armed and disciplined Communist insurgents. The rebels have shown no indication of surrendering, though they agreed to a cease-fire, and they have scored some major propaganda points during the lull in the fighting.

Many of the posters in Naga and Legazpi City read: "Yes to Peace, Yes to the Constitution." But approval of the charter seems unlikely to mean peace either with the Communists or with a group of equally well-armed Muslim insurgents fighting for self-rule on Mindanao.

Both groups have rejected the constitution and said that even wide public approval of the document would not alter their demands in their negotiations with the Aquino government.

The constitution would establish a U.S.-style system of government but would substantially reduce the powers of the presidency to prevent the type of abuses that occurred under Mr. Marcos.

"The new constitution lessens my presidential powers," Mrs. Aquino said at a luncheon on a university campus in Naga, "but I don't mind." What is more important, she said, is that the document "will ensure the newly regained freedoms we have."

MANILA: Mindanao Pact

(Continued from Page 1)

bogged down after the government woo a cease-fire last month.

Nur Misuari and the government negotiator, Agapito Aquino, the president's brother-in-law, gave telephone interviews from Jeddah shortly after the conclusion of their final meeting Sunday.

"For the sake of peace and for the sake of all other reasons, we had to exercise some flexibility despite the demands of the people," Nur Misuari said. "The people were clamoring for independence, because they believed that was the only solution to the internal problems of Mindanao."

He added, "My demand for independence would not be wise anymore because the Philippine government is going to do something to satisfy the demands of the people."

Mindanao produces most of the country's iron, pineapples, coffee and corn. The region's residents have long felt that their resources are unfairly exploited by Manila, where successive governments, the southerners believe, have failed to return funds for the economic development of the region.

The agreement signed in Jeddah covers the island groups of Mindanao, Basilan, Palawan, Tawi-tawi and Jolo. It also proposes the "immediate formulation and implementation of an economic and social development program for the areas agreed upon," Nur Misuari said.

Mrs. Aquino said the autonomy agreement was consistent with limited self-rule granted to the Moslems under the proposed Philippine constitution, which will be voted on in a plebiscite Feb. 2.

In a separate accord signed Sunday, however, the government panel agreed to ask the president to outlify the provisions in the constitution that deal with Mindanao autonomy. She is considered unlikely to do so.

It was unclear whether that request to Mrs. Aquino would present an obstacle to full implementation of the Jeddah agreement. Nur Misuari said that without changes in the constitution "all our exercises here in Jeddah would be brought to naught. It would become an exercise in futility."

But he added that he believed Mrs. Aquino to be sincere in wanting to address Moslem grievances.

Another potential sticking point was the reaction of other Moslem groups, which have been waging separate guerrilla wars for Mindanao independence. Nur Misuari said he was negotiating with representatives of Hashim Salamatt, leader of the breakaway Moro Islamic Liberation Front, in an effort to agree on a possible reunification meeting before he leaves Saudi Arabia.

Mrs. Aquino said the autonomy proposal would be voted on province by province. Autonomy would be limited to education, local laws and the judicial system.



49 Die, 2 Survive in Plane Crash in Ivory Coast
Rescuers removing a survivor from the site of the crash of a Boeing 707 of the Brazilian airline Varig. The jet went down in a forest shortly after taking off from Abidjan for Rio de Janeiro on Saturday. The dead, mostly from Africa and South America, included an American and three Europeans.

Mixed-Race Cabinet Minister Defies Beach Apartheid in Protest Swim

By Alan Cowell
New York Times Service

JOHANNESBURG — A mixed-race cabinet minister led supporters onto a beach reserved for white bathers in Port Elizabeth for a swim Sunday to protest apartheid segregation laws.

The Reverend Allan Hendrickse, one of two nonwhite ministers without portfolio in President Pieter W. Botha's government, declared, "This is God's beach," as he and about 150 followers attending a party congress took to the water.

Police and conservative whites opposed to racial mixing on South Africa's beaches looked on but took no action against Mr. Hendrickse and his supporters, who, under apartheid's definitions, are classified as colored persons.

Beach apartheid has become a major issue in recent days because of racial violence on the waterfront in and around Durban, where some beaches are still racially segregated. Cape Town's beaches are open to all races. In Port Elizabeth, the city council's decision to desegregate most beaches has yet to be ratified by senior administrators.

The city council has, however, removed the "whites only" signs at all but one of Port Elizabeth's beaches and the police have shown themselves reluctant to prosecute nonwhite bathers at these beaches. Mr. Hendrickse and his followers swam at such a beach Sunday.

Mr. Hendrickse leads the mixed-race Labor Party, one of the nonwhite groups in South Africa's segregated, three-chamber Parliament.

The action seemed only a minor tilt against apartheid, and the authorities offered no immediate comment on what could be interpreted as a breach of the law by a cabinet minister.

Earlier in the party's annual congress, Mr. Hendrickse drew a rebuke from Mr. Botha for demanding that laws segregating residential areas be scrapped. He said he would be forced to consider pulling out of the tricameral Parliament, which is a cornerstone of Mr. Botha's cautious policy of change, if the legislation were retained.

But Mr. Botha, who has called premature elections for this year among white voters only, made clear in a statement that racially exclusive suburbs would remain.

The statement was interpreted as an assurance to white voters uncertain of where the program of change is leading and wooed by parties to the right of Mr. Botha that seek a return to total racial separation.

South African newspapers expressed concern Sunday that censorship under the nation's emergency decree, in force since June 12 and tightened last month, would turn the voting into what one newspaper, The Sunday Times, called "a gagged election."

Emergency censorship forbids both the utterance and press reporting of a wide range of state-

ments deemed "subversive," including those that could be interpreted as inciting resistance or opposition to the government's handling of the state of emergency.

Anti-government protesters, thus, may be hampered in conducting a dissent from emergency rule.

Meantime, the Bureau for Information, which is the sole official source of news about South Africa's crisis, reported more unrest in black townships. The bureau's daily bulletin said a black youth was burned to death by a crowd and a black man was wounded when security forces fired shotguns at a crowd of 200 blacks stoning a patrol.

On Saturday, an explosion apparently caused by a bomb occurred outside a 31-story office building in Johannesburg. The police said three black women were wounded.

Israel Strafes South Lebanese Area In Reprisal for Hezbollah's Attack

By Nora Boustany
Washington Post Service

BEIRUT — Israeli helicopter gunships strafed houses Sunday in southern Lebanese villages suspected of serving as hideouts for radical Shiite Muslim guerrilla fighters in the first such air strike this year.

The Israeli Army said in Tel Aviv that the helicopters attacked targets in two villages 12 miles (20 kilometers) north of the Israeli border on the fringes of the region that Israel has declared a "security zone."

Local radio reports said Israeli armored vehicles were seen massing around the area of Bint Jbeil, just south of the two villages.

The raid appeared to be a retaliation for an operation mounted by Islamic fighters in the region, at Baraicheh, three days ago. Guerrillas of the pro-Iranian Hezbollah Army of God organization overran two positions held by the Israeli-backed South Lebanon Army and killed six members of the army.

Two Hezbollah guerrillas died in the clash during which the Shiite guerrillas captured an Israeli-supplied troop carrier.

Meanwhile, doctors at two Beirut hospitals were concerned by an

outbreak of a collective intoxication among Palestinian refugees living in badly ventilated underground shelters and garages.

At least 70 persons have required hospitalization in the last 24 hours. Victims arrived with symptoms of severe dizziness, asthma and suffocation.

■ **Ferries Dock on Cyprus**

Two Cypriot ferries docked safely in Larnaca, Cyprus, on Sunday from return trips to Lebanon as Foreign Minister Shimon Peres of Israel said that one had been intercepted to try to prevent Palestinian attacks, Reuters reported Sunday from Larnaca.

■ **Iran Names Beirut Envoy**

Iran has upgraded its relations with Lebanon by naming an ambassador, the Tehran radio said Saturday, Reuters reported from Tehran.

It said Ahmad Dastmalchian was proposed by Foreign Minister Ali Akbar Velayati and approved by President Ali Khamenei as the new ambassador.

Diplomatic relations between the two countries were broken in November 1983 when Lebanon accused Iran of interfering in its internal affairs. They were restored eight months later at the level of chargé d'affaires.

China Holds 12 for Links To Protests By Students

Washington Post Service

BEIJING — The police have arrested or brought in for investigation 12 persons connected with the student unrest in China, according to official press reports.

University campuses were reported quiet Sunday, but a few posters critical of the government and press were sighted at Beijing Teachers University and at Beijing University, where final examinations are to be held Monday.

A poster at Beijing University was an open letter to Deng Xiaoping, China's senior leader. It accused the government-controlled press of "seriously distorting" reports on the student demonstrations and urged Mr. Deng to break his silence on the demonstrations.

The poster expressed support for Mr. Deng's economic changes.

Press reports described the 12 who are held as workers, technicians or unemployed persons.

They have been accused of disturbing public order, damaging property, spreading rumors and attempting to incite others to engage in trouble-making.

The latest report of an arrest appeared Sunday in the Beijing Daily newspaper. It said that a former student, Kong Nian, was held on charges of assaulting a student at Beijing Teachers University who refused to join a demonstration.

As far as can be determined, no student is under arrest.

Student sources said the police had detained 29 students from eight universities and institutes in the course of a demonstration Thursday in Beijing. But they said all were freed within a few hours after students protested the arrests.

WORLD BRIEFS

Accused Israeli Spy Appeals to Court

JERUSALEM (NYT) — A technician awaiting trial for purportedly selling information about an Israeli nuclear installation has appealed to the Supreme Court to restore his rights to reading material and a radio, his lawyer says.

The radio and books were confiscated by the chief warden of the prison, who also suspended access to daily newspapers after the prisoner, Mordochai Vanunu, 31, wrote a message on his palm and flashed it to reporters last month while being taken to court. The message said he had been "hijacked" in Rome on Sept. 30.

"The chief warden of the jail punished him administratively, and he has the right to do that," Mr. Vanunu's lawyer, Amnon Zichroni, said Friday. He said that the radio was considered a privilege, but that his client was entitled to books and newspapers.

Soviet Magazine Interviews Sakharov

MOSCOW (AFP) — Andrei D. Sakharov, continuing the path toward official rehabilitation, has been interviewed by the Literaturnaya Gazeta, one of the Soviet Union's most prestigious magazines, he told Western journalists.

Mr. Sakharov said that the questions in the interview Saturday were "good," and that he had replied "trying to broaden the debate."

He declined to give details of the issues discussed and said he did not know whether the interview, to appear Wednesday, would be published in full. The magazine originally had requested an interview a month before Mr. Sakharov was allowed to return from internal exile in the city of Gorky on Dec. 20, but Mr. Sakharov declined.

Afghan Raid Kills 6, Pakistan Says

PESHAWAR, Pakistan (Reuters) — Afghanistan Air Force planes have killed six Pakistanis and injured 14 in a bombing attack on the Pakistani village of Arandu near the Afghan border, the Pakistani police said Sunday.

Several houses in the village were destroyed in the attack Saturday, the police said. The police said 15 bombs were dropped.

Pakistan asserts that Soviet-built Afghan planes crossed the border to attack Pakistani territory at least 600 times last year. The Soviet-backed government in Kabul dismisses the charges. It accuses Pakistan of violating its airspace and backing Afghan Moslem rebels in their eight-year guerrilla struggle.

Shamir Accepts Rabbi's Resignation

JERUSALEM (Reuters) — Prime Minister Yitzhak Shamir has accepted the resignation of Interior Minister Yitzhak Peretz but will continue to discuss the matter with Rabbi Peretz, a cabinet statement said Sunday. No replacement was appointed.

The resignation was not expected to lead to a crisis in the minority government. Israeli radio said that Rabbi Peretz's Shas Party would remain in the coalition. Under Israeli law, the resignation takes effect Tuesday.

The ultraconservative Orthodox rabbi resigned to protest an Israeli Supreme Court order that he recognize a Christian-born American immigrant as Jewish. The order also barred his ministry from stamping the word "convert" on identity papers of Shoshana Miller, who converted to Judaism in a Reform congregation in Colorado.



Rabbi Yitzhak Peretz

Zia Dismisses Leader in Sind Province

ISLAMABAD, Pakistan (UPI) — President Mohammed Zia ul-Haq dismissed the governor of Sind Province on Sunday as youths and police clashed in the province Sunday in sporadic violence.

An industrialist, Ashraf Tabani, was named governor of the southern province within hours of the dismissal of retired General Jahan Dad Khan, who had been criticized by opposition leaders for not acting quickly enough to control riots in Karachi last month.

They were the worst riots in the city since the creation of Pakistan in 1947. General Khan was vacationing in Sri Lanka when Mujahids, refugees who settled in Karachi after 1947, and Pathans clashed in riots in December. More than 170 people were killed.

For the Record

An American missionary has been detained by Zambian authorities, the U.S. Embassy in Lusaka said Sunday. He was identified as Robert Brain of the African Evangelical Fellowship.

A hurricane in the Cook Islands left about 1,000 people homeless and caused millions of dollars in damage to buildings and crops. (AP)

Correction

A headline in editions of Jan. 3-4 incorrectly stated the size of the increase in military spending President Ronald Reagan reportedly is seeking in his impending budget proposal. The amount is \$20 billion, a year.

REAGAN: Examination of His Colon Reveals No Recurrence of Cancer

(Continued from Page 1)

flushed out and strained so that it can be examined for any signs of malignancy.

As is normally done, an anesthesiologist and other doctors present will monitor heart rhythm and vital signs.

The time it takes to perform the surgery usually varies according to such factors as the size of the gland and the amount of bleeding. It usually takes less than an hour. As soon as the anesthetic wears off, usually in a few hours, Mr. Reagan will be able to move about.

The operation, known as a transurethral resection, carries small but significant risks of subsequent bleeding, infection, urinary incontinence and impotency.

If prostate cancer is detected, the seriousness of the finding and its treatment would depend on the nature of the cells that pathologists see through the microscope.

When prostate cancers are found unexpectedly in a patient with Mr. Reagan's condition, they are usually

not particularly virulent and in small clusters.

Statistically, men over 75 who have cancer of the prostate are more likely to die from another cause than from the slow-growing prostate malignancy, according to Dr. William Fair, who is chief of urology at Memorial Sloan-Kettering Cancer Center.

Generally, he said, there are three options for patients with cancer of the prostate: to do nothing because it may grow so slowly as to constitute little danger; to treat with radiation; or to do a more extensive operation to remove the entire prostate and surrounding lymph nodes.

■ **New Doctors Recruited**

Susan Ocie of The Washington Post reported from Washington: A team of seven physicians from the Mayo Clinic, assembled at the request of Nancy Reagan, flew to Washington on Saturday to perform the procedure.

Mr. Reagan's colonoscopy on

Sunday, in which the large intestine is examined with a flexible fiberoptic tube, was performed by Dr. Robert W. Bear Jr., Mayo's chief of colon and rectal surgery. The test has been performed on the president twice a year since 1985.

Besides Dr. Bear, who is a friend of Mrs. Reagan's late stepfather, the all-civilian medical team includes a colon surgeon, two urologists, two anesthesiologists and a pathologist who will examine specimens of the gland for prostate cancer.

The decision to call in doctors from the Rochester, Minnesota, clinic instead of the navy physicians who have checked Mr. Reagan regularly since his cancer surgery appears to shift major responsibility for his care from military and government doctors to private ones.

According to White House sources, the switch is partly motivated by Mrs. Reagan's desire to minimize publicity about the president's medical treatment.

INDIA: Spreading Protest

(Continued from Page 1)

spread so quickly as to suggest that it was highly organized.

The Moslem protest over the short story in one city in Karnataka state, for example, touched off immediate similar protests elsewhere.

There were even clashes between Moslems and the police in the far-away Moslem-dominated state of Kashmir in the north.

"In the earlier days, rioting tended to be spontaneous," said Rajni Kothari, a leading civil liberties advocate in New Delhi. "What you're getting now are a bunch of determined professionals backed by hired mobs."

For Mr. Kothari, two separate waves of violence in the last few years foreshadowed this trend. First were the anti-Sikh riots in New Delhi after the assassination of Prime Minister Indira Gandhi by two Sikh security guards in 1984. About 2,500 Sikhs were killed in those riots, and Mr. Kothari and others have long charged that they were organized or encouraged by leading politicians allied with Mrs. Gandhi and her son. These politicians deny the charges.

Next came the violence involving Hindus, Moslems and lower caste groups in the western state of Gujarat in 1985, where 250 people died over five months. The killings stopped abruptly after the police cracked down on what they said were organized groups seeking revenge on each other.

As in many of the recent flare-ups, the police blame "anti-social elements" and "miscreants" for fomenting the violence, but police officials say they are usually referring to organized crime groups involved in extortion, smuggling, drug trafficking and, frequently, payoffs to the police.

Thus, much of the violence is widely seen as coming from a small portion of society rather than a vague sense of tension among ethnic groups.

BOLIVIA: Cocaine Rebounds

(Continued from Page 1)

major operators here will not surrender without a fight.

Several killings have shocked the city. A botanist, his pilot and a guide were shot and killed in October when they accidentally came upon a clandestine laboratory in a rain forest north of here.

So far, however, no important cocaine boss has been jailed in Bolivia. Fifteen people arrested in July, who were said to be important underground figures, have been freed "for lack of evidence." The government has promised changes in the court system and new laws.

In Santa Cruz, a new police chief has also been named.

"Good idea," said a foreigner who has lived here for almost 30 years. "But if they want a police chief with clean hands, he may have to be changed every few weeks."

Algerian Moslem Chief Killed

ALGERIA — Mustapha Bviali, 46, an underground fundamentalist Moslem leader, was shot and killed by police in a gun battle Saturday at his stronghold of Larba, an official statement said Sunday.

JAPAN: U.S. Study Cites Rigors of the School System

(Continued from Page 1)

light academic demands by faculty members, the report said.

The studies, which took two years to complete, were conducted

under the general sponsorship of the United States-Japan Conference on Cultural and Educational Interchange, a forum of government officials and leaders of the private sector devoted to fostering cooperation between the two countries.

Although a fiercely competitive examination system in Japan has its "negative aspects," the examina-

tions also make some "positive contributions" to the overall educational process, the scholars said.

"They buttress academic standards and foster achievement throughout precollegiate education," the report said. Moreover, it said, since preparation for examinations requires "sustained commitment and hard work," Japanese students from a very young age learn values that will serve them well as the move into the labor force and adult life."

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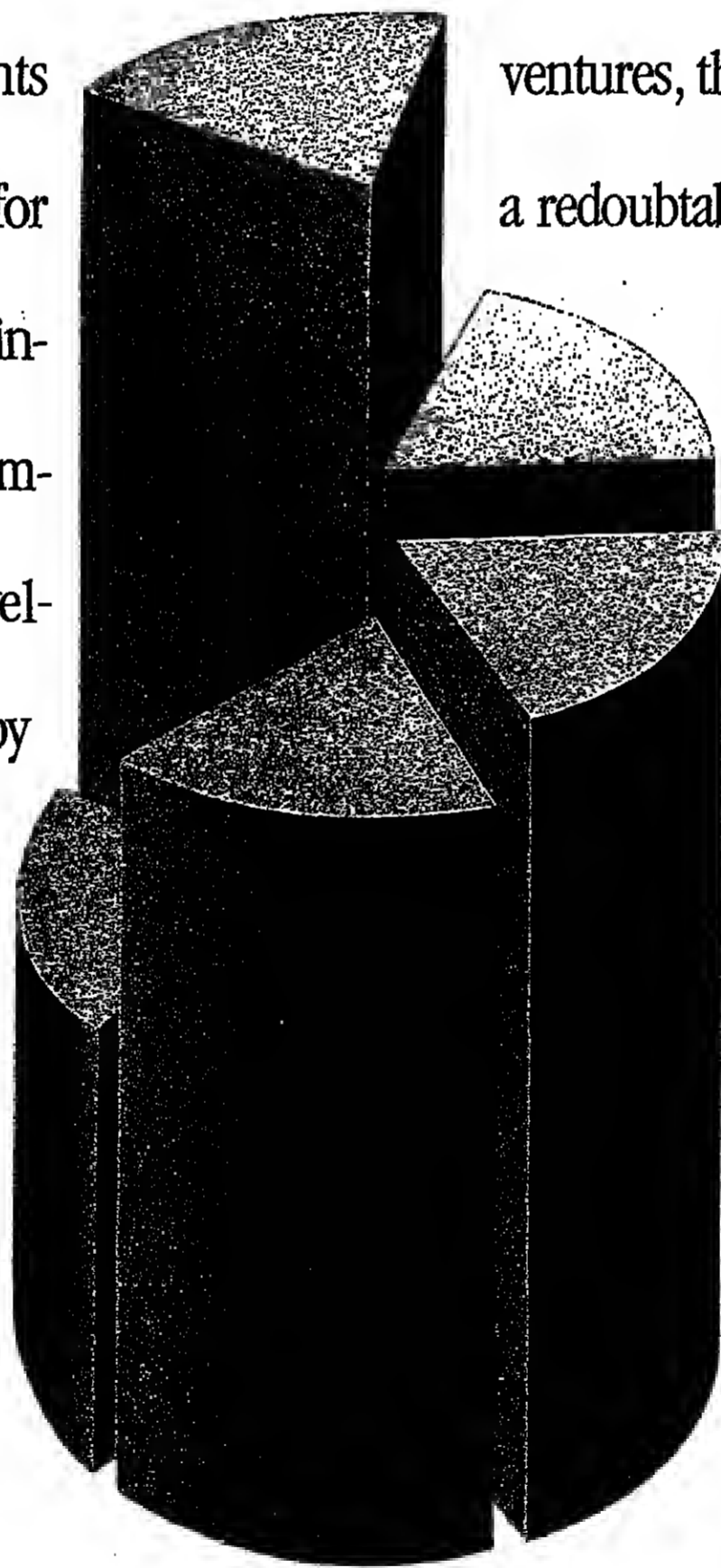


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Afghanistan Dilemma

Seven years after its forces invaded Afghanistan, the Kremlin is trying to convince the world that it wants to extricate itself from a war that it has not won by military force.

Mikhail Gorbachev, after a token withdrawal in October of about 8,000 men out of an estimated total of 115,000, has firmed up previous hints of flexibility to the point where he is now on record as wanting withdrawal of all Soviet forces as soon as possible, something he had not said before.

The Soviet signals will be put to a test when indirect negotiations through a United Nations mediator, Diego Cordovez, resume in Geneva on Feb. 11. The talks have been dealing with four points: the return of the refugees, relations between Afghanistan and Pakistan, a return of Afghanistan to a status of nonalignment and Soviet withdrawal.

Mr. Gorbachev clearly wants to be dealing from military strength when the negotiations become serious. The Soviets

have stepped up military operations. A bombing campaign against civilian populations and crops has been intensified to the point where an estimated 100,000 new refugees arrived in Pakistan in the last three months.

Spokesmen for the main resistance groups have dismissed the Soviet initiatives as propaganda, and so has the Reagan administration. But Pakistan is taking a second look. Its foreign minister, Sahabzada Yaqub Khan, has said that he sees a very positive change in the attitude of the Soviet leaders.

The Pakistani government is under great pressure. The country is threatened with political and social destabilization through the influx of an estimated three million refugees. Recent violence in Karachi and elsewhere is blamed at least partly on Afghan refugees.

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Glasnost, Somewhat

Just as Jimmy Carter and Ronald Reagan ran for president by running against Washington, so Mikhail Gorbachev seems to seek far-reaching changes by attacking the Soviet bureaucracy.

Mr. Gorbachev's new glasnost openness has brought dramatic changes. Considering how long and how tightly Soviet society has been closed, it is tempting to stretch the possibilities.

But glasnost means two things. It is a club handed by Mr. Gorbachev to Russian intellectuals to beat economic efficiency out of the bureaucracy. And it is a gate through which some wrongly imprisoned dissidents can be released and some long silenced voices can be heard.

For the West, the foreign policy implications are tricky. Attempts to seize on the new policy to try to humiliate Mr. Gorbachev would surely force him into tough negotiations.

enforcement, in the form of trade and arms control, are not likely to foster a more moderate Soviet foreign policy.

Mr. Gorbachev's underlying goal is not to install Western-style democracy but to strengthen his rule and his country. Easing up on dissidents improves the Soviet image abroad, reinforces foreign policy aims and helps open channels to Western technology.

It might also chip away at the traditionalism and immobility that drag down the Soviet economy. Mr. Gorbachev's version of openness falls short of Nikita Khrushchev's, although he seems to be moving faster.

But two things can be counted on. He will not, when pressed, sacrifice political control for greater economic efficiency. He will not be much swayed in his internal course by Western rewards. Trade and arms control can maintain a good climate; the West should pursue both.

The Perennial Speech

On Wednesday night a West German television network broadcast the wrong New Year's Eve message from Chancellor Helmut Kohl. A videotape of Mr. Kohl's 1985 address was televised on the network ARD.

Mr. Kohl's political enemies were gleeful over the incident, seizing on it as evidence that his speeches are all much the same. But while the chancellor is not known as a scintillating public speaker, we suspect that in this case he was a victim of a more universal truth, and that is that all New Year's reunions are much the same.

journalistic-literary tradition in which the emphasis may differ but the mix of ingredients is the same: somber and thoughtful reflection, thankfulness and cautious optimism about a coming year full, as it always is, of great opportunities and daunting challenges.

Chancellor Kohl's party faces elections this month, and some of its leaders suspect that the televising of the wrong speech was an act of sabotage. Said Heinz Geisler, secretary-general of the Christian Democratic Union: "I cannot imagine that an editor named Chance or a technician named Mistake bears the sole blame for this incident."

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OPINION

Israel Jolts the Mideast's Nuclear Calculus

By Stephen S. Rosenfeld

WASHINGTON—A dark nuclear cloud is playing out in Jerusalem. On the surface it is about the former nuclear technician who is on trial on charges of telling a British newspaper that Israel has built and stockpiled 100 or more nuclear weapons.

Israel appears to be getting the worst of two worlds. After all its nuclear denials, it is being shown in a fashion to be a nuclear power. After all its democratic professions, it is coming through as a country that cuts the corners of the law.

These, however, are workaday embarrassments, and Israel can endure them, although not without cost to image and morale. There is something far more important, and not only to Israel. The Israelis, who have been doing their nuclear work in some secrecy over the decades, have made the portentous decision to notch their program far forward into public view.

A country's statements about its nuclear intentions can never be casual. The ostensibly nonnuclear states, especially those like Israel that are formally at war with powerful neighbors, have special requirements for political success.

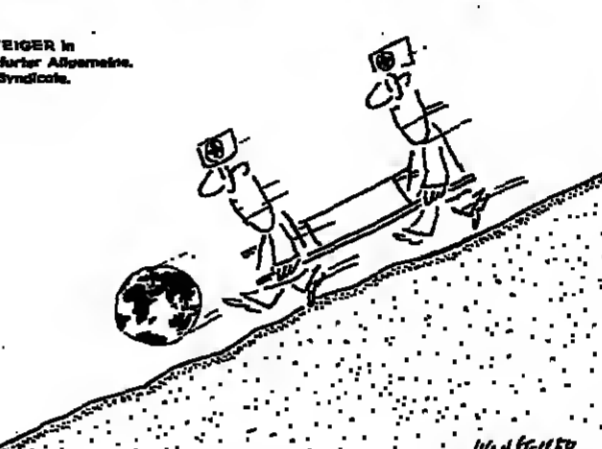
quiet conspiracy since to keep a lid on the affair. The great powers are perfectly willing to advertise their reliability as patrons, but they are properly nervous about advertising their availability as nuclear guarantors.

Why now would Israel care to change the rule of nuclear discretion? On a philosophical level, it is evident that a state born from a historical encounter with doom, and now seeing the tide of military technology rising everywhere in the Middle East, craves the symbols of ultimate protection and self-reliance.

In fact, the last Middle East war, in 1973, did have a nuclear dimension, involving first a feint by the Kremlin to announce a reply to its failing Egyptian clients and then a set of signals in response by the United States. There has been a

move will force everyone to calculate "the next war in the Middle East may have more of a nuclear dimension than the last one. Knowing that the Israelis have gone to a new nuclear posture, others will have to figure . . . But you get the idea. Everything starts to shift. The terrible but, in a sense, knowable formulas of conventional war merge into the more terrible and less knowable equations of, at the least, the implicit brandishing of nuclear arms by Israel.

By STEIGER in Frankfurt, Germany. CAW Syndicate.



'Relentless Self-Investigation' Is Sometimes Needed

By Tom Wicker

NEW YORK—Abba Eban, the erudite former foreign minister of Israel, need look no further than Tel Aviv to see the sad results of an official cover-up of government wrongdoing.

A little more relentless self-investigation by the Israeli government might have avoided the apparent whitewashing of everyone concerned in the beating deaths in 1984 of two handcuffed Palestinians in the custody of Israeli agents. As it is, the authority of the Israeli president, who granted pardons without investigation, has been undermined.

In order to accomplish the whitewash, then Prime Minister Shimon Peres and Foreign Minister Yitzhak Shamir (who had been prime minister at the time of the murders) muscled a tough attorney general out of office and replaced him with one who would support the cabinet's request for the pardons.

Abraham Shalom, head of Shin Beth, the domestic intelligence service, when the two Palestinians were killed, received immunity from prosecution and resigned from his prestigious post. Mr. Shamir, who was Mr. Shalom's only superior, has just been cleared by a police commission of any complicity in the two deaths.

Mr. Eban thinks that during Washington's Watergate preoccupation in 1974 an opportunity may have been missed for Henry Kissinger to work out an Israeli-Jordanian disengagement accord like those that had been reached with Israel

and Syria. Even if he is right, does he seriously suggest that Americans should have closed their eyes to the Watergate offenses against law and Constitution so that the Nixon administration could pursue its diplomacy unimpeded and perhaps improve the Middle East situation?

Apparently so, for Mr. Eban also suggests that a new U.S. initiative in the Middle East now might prove fruitful for Israel and other nations of the region. He remarks that "it is for America to decide whether this vision is less alluring or worthy than a prolonged investigatory ordeal."

This reflects a profound misunderstanding of the rule of law that is at the root of American democracy, and an even greater misreading of democracy's limits. Nothing undermines the rule of law, however, more than the ability of some temporary government, even for purposes believed good, to set aside the law, or distort it, or ignore it—as Israelis may be learning from their own experience.

American confidence in the Reagan administration may not be restored by "prolonged investigatory ordeal" either. But confidence in the rule of law can be—a prospect that does indeed seem worrier than new diplomatic gestures by a sadly discredited president.

The New York Times

Soviet Moslems: The 'Feudal Past' Has a Present

By Alex Alexiev

This is the first of two articles.

SANTA MONICA, California—Moslems rioted in the Soviet Union during mid-December. The prompt Soviet reporting of unrest in Alma-Ata, capital of Kazakhstan, after replacement of the Kazakh party boss by a Russian official seemed to the West another remarkable manifestation of Mikhail Gorbachev's campaign for glasnost (openness) and an example of the difficulties facing his struggle against corruption and nepotism.

But subsequent details reveal that glasnost and corruption were at most sidebars to a violent outburst of anti-Russian and anti-Soviet resentment among Moslems. After two days of rioting by some 10,000 young Moslems, the regime was able to stabilize the situation.

There is real significance in the events at Alma-Ata. The replacement of Dinmukhammed Kenesbaev and the ensuing riot are symptomatic of a growing conflict between the regime and the Moslems that could prove an

intractable problem for the Kremlin. The trouble comes from a combination of powerful long-term trends and Mr. Gorbachev's own recent policies in predominantly Moslem areas. The best known trend is a continuing demographic shift that enlarges the non-European, particularly Moslem, population of the Soviet Union.

Representation of Moslems among the available labor force and the military pool has increased dramatically. Most surplus laborers and nearly a third of the conscript pool are Moslems, although Moslems make up only about 20 percent of the population overall. Perhaps more important, explosive Moslem birthrates, in Central Asia in particular, are in contrast with a rapidly shrinking Slavic population that has provided the bulk of the quasi-colonial cities.

In 1970 the Slavic population of

Central Asia numbered about 21 percent of the total; today it is about 13 percent and decreasing. Moreover, a large majority of Moslems live in small towns and rural areas that are ethnically and culturally homogeneous, where efforts to insulate them in a value system have proved ineffective.

The demographic gains have been accompanied by two other important and closely related trends presenting a serious long-term threat to the Russian-dominated regime. The Islamic revival in Central Asia seems to have reached proportions unacceptable to Soviet authorities. After years of depicting Islam as a moribund remnant of the "feudal past," officials have started presenting a much less sanguine picture.

In Uzbekistan, a Pravda article

noted, "a complicated religious situation has developed in recent years," and atheistic work to "oppose the teachings of Islam" was unsatisfactory. A high official in Tadzhikistan complained that the number of believers and unauthorized mullahs was growing, and noted that the clergy encouraged "ugly varieties of regionalism and nationalism." In Kirghizia, a party official warned that propagators of Islam were strengthening their influence over women, young people and children, a survey of religious attitudes among first-year university students indicated that 42 percent admitted to practicing beliefs; another 38 percent were not aware of religion's "harmful influence."

Throughout Central Asia, Islamic rites are reported to be widely observed, and underground Islamic activities are spreading. Authorities are clearly worried that the Islamic reawakening of Soviet Moslems could one day become the basis for a nationalist challenge to the regime. Remarkably, officials have also started admitting that Soviet Moslems may not be immune to international influences such as the war in Afghanistan or the spread of fundamentalism.

"Without a doubt," a Tadzhik functionary recently said, "the activating of Islam has led to some degree by the circumstances surrounding the regional events of recent years in certain countries."

The writer is a senior analyst of the Soviet Union for the Rand Corporation. He contributed this comment to the Los Angeles Times.

CLAUDE H.T. FAYE, Le Plessis-Robinson, France.

Different Women

I really appreciate your article about Nora Astorga ("Mannagua's Chief Delegate Charms Her Colleagues on UN," Insights, Oct. 1). But it is not right to mention Jeanne J. Kirkpatrick, the former chief U.S. delegate, without clarifying to your readers that the qualifications of the two women are not the same.

New Year's Resolutions Guilt-Free

By Flora Lewis

LONDON—It seems better to me to make New Year's resolutions for other people. Then you don't have to feel guilty when they aren't kept. Here are some possibilities:

President Reagan: I will stop dreaming of anything but Nancy and leave visions of a "star wars" perfect missile defense and of moderate mullahs to the scriptwriters for films that I'll never make. Next time I see Mikhail Gorbachev, I will make sure there is a full transcript of our talks.

Ayatollah Khomeini: I will try to buy my weapons from Iraq's president. He is a greater enemy than the United States and Israel, and what do I care if he wants to use the profits for guerrillas in the Philippines or to fight drug dealers in Colombia?

Mikhail Gorbachev: Next time I'll insist on Palm Springs instead of Ireland, and I won't leave until Reagan

It's what you don't know and can't say that hurts.

signs on the dotted line. If he refuses, I'll invite him to Chernobyl.

Eugene Hasenfus: I will make sure to carry a calling card of Lieutenant Colonel Oliver North with me whenever I get in an airplane. That way if anything happens he will be the hostage and I will be sent straight home.

Oliver North: I will never trust Swiss bankers, and I will never hand out another business card.

Daniel Ortega Saavedra: If Iran insists on financing the contra against our Sandinists, I will take Iranian hostages and sell them back to finance the Communists in Iran.

George Shultz: I will not allow the president to tell me what the White House is doing. It could be embarrassing. Anyway, does Macy's tell its competitors? Government and the State Dept. don't mix.

George Bush: Now that I'm no longer the front-runner, maybe I'll just run for vice president. There are a lot less headaches in this office.

Lee Iacocca: I'll keep saying I do not choose to run until the budget is out of the red. There's no way Chrysler can bail out the government, and I've got my reputation to think of.

Donald Regan: Obviously, the shovel brigade didn't have enough shovels to get the mess out of sight. We'll buy more and more, Grammm-Rudman be damned. If I lose my job, I can always sign up with Barium & Bailey. I've proven qualifications.

François Mitterrand: How can I get some of Donald Regan's shovels into Jacques Chirac's hands? Or should I make him student leader of the year?

Jacques Chirac: I won't send Mitterrand any more decrees. That way he can't upstage me by refusing to sign them. And every time I buy back a hostage, I'll make sure Washington does it first and pays more, so everyone will see that I got a bargain.

Hafez al-Assad: I'll have nothing more to do with Lebanon until all the factions there make up their minds once and for all and side with me. Maybe I should send for the Reagan gain contras to unite everybody else.

Kurt Waldheim: I'll write a new autobiography before I run for president of Austria again.

Margaret Thatcher: I'll get a punk haircut and a mini-skirt and run as the new Maggie. They might not like it in the shires, but it will bring in tourists and do wonders for the pound.

Peter W. Bohan: I'll abolish television, the press, the courts and the unions. It's the only way to save freedom and democracy in South Africa. Any American congressman who votes for sanctions will be welcome to come and stay. We'll make sure that they don't vote again.

Mohau Sese Seko: As a gesture of good will, I'll offer Washington lessons in how to divert lots of money to Switzerland and keep it out of the press. It's time for Zaire to show its gratitude for aid past.

Corazon Aquino: I'll go right on the way I'm going. They haven't got me down yet. Imelda can have all her about-face if she wants. She and Ferdinand aren't going anywhere.

General Juan Ponce Enrile: I'll never join another revolt against a sitting president. It's the running one I have to worry about catching up with.

Deng Xiaoping: I will make sure that students have plenty of ink and paper for posters. It will keep them off the streets and brighten up city walls. And I will arrange for a lot of Big Mac franchises. Students with their mouths full can't riot.

Andrei Sakharov: Now that I've been back home and can speak my mind, I'll wish everyone a happy and peaceful New Year. It's what you don't know and can't say that hurts you.

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: Toward Toll War?

NEW YORK—It is noted by the American press that President W.H. Taft's references to fixing the tolls of the Panama canal have excited agitation in Europe. An inspired message from Washington, published in New York [on Jan. 4], suggests that the agitation is needless because the President has admitted that the terms of the Hay-Pauncefote treaty must be maintained "by making the tolls uniform on the shipping of all nations, America included." It is more than hinted that the Washington policy, while adhering to the treaty, will "borrow a leaf from the European practice of subsidizing home shipping." An editorial in The New York Tribune says: "If it should happen that the United States really subsidized lines running to and through the

1937: Spain's 'Tourists'

LONDON—With the signing of the Anglo-Italian declaration of rearmament in the Mediterranean [on Jan. 2] it was hoped that Benito Mussolini might moderate his Spanish adventure. It appears that Il Duce is still an enthusiastic joint partner of Hitler and Franco in the drive against Madrid. The master of 10,000 Italians landing in Spain since Dec. 23 may be considered at the meeting of the chairman's sub-committee of the Non-Intervention Committee, which for weeks has been bickering over the migration to Spain of 26,000 German fighters, as well as thousands of anti-Fascists from Russia, France and England. With pro-Fascist and anti-Fascist "tourists" arriving at Spanish ports to spoil each other's blood, the

AMERICAN TOPICS



STORM HITS U.S. ATLANTIC COAST — A wave crashes ashore in Hull, Massachusetts, during a powerful winter storm that struck the Atlantic coast of the United States from the Carolinas to Maine. At least 19 persons died, and the storm combined with high tides, which receded Saturday, to cause serious flooding.

Night Pilots Fight Dozing Commercial airline pilots often fight intense drowsiness and sometimes fall asleep while flying planes on long overnight trips, according to Martin C. Moore-Ede of the Harvard Medical School. Occasionally, he says, everyone in the cockpit nods off at the same time while the plane flies on automatic pilot. In one incident, an airliner on a transcontinental flight to Los Angeles flew past its destination because everyone in the cockpit was asleep. The plane dived 100 miles (160 kilometers) out over the Pacific before ground crews roused them by radio. Dr. Moore-Ede, an expert on work scheduling and sleep, blamed the problem on boredom and erratic schedules. He said he asked 30 pilots, co-pilots and navigators to report instances when they had to fight to stay awake or drifted off while on the job. They averaged 32 such episodes a month, half between 3 A.M. and 7 A.M. A spokesman for the Federal Aviation Administration said the agency has heard of isolated cases of pilots falling asleep but does not consider it a major problem. Bill Price, a pilot and an official of the Air Line Pilots Association, said that while he has documentation of cases where flight captains have awakened to find everyone asleep, the real safety threat arises at lower altitudes, where pilots who are awake but tired thread their way through busy air corridors.

Short Takes Florida passed Illinois as the fifth most populous state in 1986, marking the only change in ranking in the 10 largest states, the U.S. Census Bureau reports. The top 10 as of July 1: California, 26,981,000; New York, 17,772,000; Texas, 16,682,000; Pennsylvania, 11,889,000; Florida, 11,675,000; Illinois, 11,553,000; Ohio, 10,752,000; Michigan, 9,145,000; New Jersey, 7,620,000; and North Carolina, 6,331,000. Shorter Takes: The Ring Nursing Homes of Springfield, Massachusetts, publish a different kind of pimp calendar. The pimps average 85 years old. • Blackened redfish, a gourmet specialty that originated in Louisiana, has become so popular that the U.S. Commerce Department has banned the commercial fishing of depleted stocks of the red drum fish, most commonly used in the dish, during 1987 in the Gulf of Mexico.

Notes About People A polygraph machine is not necessary to tell when someone is lying, says Dr. Joyce Brothers, columnist on popular psychology. Subtle telltale signs are enough, she says. A good liar will make a point of looking a person in the eye in an effort to be convincing, Dr. Brothers says, but at the same time his rate of blinking will increase. She says other signs are someone smiling slightly when discussing a serious topic or giving overly complicated explanations. Mayor Edward I. Koch's remark that a New York racist incident reminded him of the Deep South has angered several Deep South mayors. Michael Griffith, 23, a black man, was killed by a car when chased across a highway by whites who had attacked him. "I'd expect this kind of thing to happen in the Deep South," the New York mayor said. Five Mississippi mayors, from Brookhaven, Jackson, Columbia, Fayette and Greenville, took exception. They said jointly that Mr. Koch was welcome to come to Mississippi to see that it is not the racially tense state he saw in the 1960s. Kent Hance, who served three terms as a Democratic congressman from Texas before being defeated in a run for the Senate, says he doesn't miss the campaign parades, and "thank goodness I don't have to eat chicken anymore." He recounted four straight days of chicken at campaign lunches and dinners — baked chicken, fried chicken, chicken à la king, chicken salad, only to wearily return home, where his wife proudly announced, "I'm frying chicken." He replied, "Come on up and help me take off the mattress and the bedsprings." Why? "So I can roost on the slats." —ARTHUR HIGBEE

Congress Expects Deficit to Exceed Limit

By Robert Pear New York Times Service WASHINGTON — The Congressional Budget Office has projected that the federal government will run deficits of \$174.5 billion this fiscal year and \$169.2 billion next year if Congress takes no action to change current law. The estimates may surprise some members of Congress, who adjourned in October saying they had reduced the deficit for the current fiscal year to \$151 billion. The target for the fiscal year 1987, sought by the budget-balancing law enacted a year ago, is \$144 billion. Because the law's provision for automatic spending reductions was invalidated by the Supreme Court, the burden to vote the cuts necessary to meet the target now falls directly on the legislators. Rudolph G. Penner, director of the Congressional Budget Office, said Friday that the new deficit estimates were based on revised economic assumptions and new data on tax collections and government spending patterns, including the effects of legislation passed in September and October. The congressional estimate for the deficit this fiscal year is close to the administration estimate of \$173.2 billion.

In a letter on Friday to the chairman of the House and Senate Budget Committees, Mr. Penner also presented his economic forecast, predicting that the economy would expand about 3 percent a year in 1987 and 1988. President Ronald Reagan's budget, to be sent to Congress on Monday, makes more optimistic economic assumptions: growth of 3.2 percent this year and 3.7 percent in 1988. A year ago, the administration predicted the economy would expand at an annual rate of 4 percent in 1987 and 1988. On Saturday, Mr. Reagan signed the budget he will submit to Congress. It is the first trillion-dollar budget proposal, calling for expenditures of \$1,024.3 billion in fiscal year 1988, which begins Oct. 1. It projects a deficit of \$107.8 billion, well below the target of \$108 billion set by law for the year. Mr. Reagan indicated on Saturday that he was prepared for a battle over the budget with the Democratic-controlled Congress. In his weekly radio address, he warned lawmakers: "You can't have it both ways. You cannot deny deficits and then pass budget-busting legislation." In its estimate, the Congressional Budget Office said that under current law the deficit would decline steadily, to \$84.8 billion in the fiscal year 1992. It projected deficits of \$162.2 billion in 1989, \$133.8 billion in 1990 and \$109.2 billion in 1991. The office assumes that the economy will continue growing in this period, so it predicts the deficit will shrink from 4 percent of the value of all goods and services the United States produces this year to 1.4 percent of this gross national product in 1992 if current law is not changed. In his letter, Mr. Penner said the new estimates of government spending "increase the projected deficits substantially" beyond the levels anticipated just a few months ago. One factor, he said, is that federal agencies will be providing more aid to troubled financial institutions. Spending for this purpose by the Federal Deposit Insurance Corp. and the Federal Savings and Loan Insurance Corp. is estimated to total \$6 billion this year, or \$4.2 billion more than the budget office assumed in August. In addition, Mr. Penner said the grim outlook for U.S. agricultural exports was expected to "increase outlays for farm price supports by \$3 billion in 1987 and about \$6 billion per year in the 1988-1991 period," beyond previous estimates. Spending on Medicare and Medicaid, the health programs for the elderly and the poor, "exceeded expectations" in 1986, and "this growth is expected to continue," he said in the letter. Aides to Republican members of Congress observed that military spending was growing more slowly than the budget as a whole, according to the new projections. The report by the Congressional Budget Office shows that under current law total spending would grow 6 percent, to \$1,069.4 billion in the fiscal year 1988, while military outlays would grow 3.7 percent, to \$289.9 billion. By contrast, according to the report, spending on government benefit programs would increase 6.4 percent, to \$512 billion in 1988 under current law. Other nonmilitary spending would increase 11.4 percent, to \$185.4 billion in 1988 under current law, the office said. This category of spending includes federal law enforcement, transportation programs, foreign aid, job training and the work of dozens of other government agencies.

U.S. Split on Plan to Monitor Soviet Tests

By Michael R. Gordon New York Times Service WASHINGTON — A sharp debate has developed among government creators over a tentative plan by the Reagan administration to improve monitoring of Soviet compliance with two nuclear test limitation treaties, according to classified government documents and administration officials. The treaties limit the size of on-ground nuclear explosions. Experts from the Central Intelligence Agency have complained that the plan is "deficient." Energy Department officials criticized the plan because they believed it would allow Soviet experts to gather sensitive intelligence information. Other government officials say the criticisms are exaggerations. "The debate has emerged as administration officials prepare to testify before the Senate Foreign Relations Committee about their ideas for enhancing America's ability to monitor Soviet adherence to the treaties. At issue are the 1974 Threshold Test Ban Treaty, which limits underground tests to yields of no more than 150 kilotons, and a companion 1976 agreement that extends this limit to peaceful underground explosions for such purposes as construction. In October, President Ronald Reagan said he would ask the Senate to approve the two treaties this year. He also said, however, that the treaties would not take effect until the Soviet Union agreed to new verification measures. In return, the House of Representatives dropped its effort to legislate a ban on all but the smaller nuclear tests. But now that the treaties are to be taken up by Congress, strong differences have emerged among government experts. As the heart of the debate is a monitoring approach proposed by Mr. Reagan called Cortez. Under this approach, a cable would be inserted into the ground to take measurements of a nuclear blast. Mr. Reagan has invited Soviet experts to visit the American test site and examine the Cortez system. American experts have proposed measures based on this approach in private talks with Soviet experts in Geneva. Specifically, the Americans have suggested the adoption of two measures to improve monitoring of the treaties. The first would require each side to notify the other in advance of all tests of 75 kilotons or more. The United States would be allowed to take direct measurements

of all tests above this 75-kiloton threshold using the Cortez system. The Soviet Union could use this system or another system, as long as it did not present more opportunities for gathering intelligence information than Cortez. A kiloton is the explosive force of 1,000 tons of TNT. The second measure would state that if one side did not conduct tests of 75 kilotons or greater over six months, the other could monitor the largest test it conducted in a specified area within its test range in this period. But the CIA has criticized this approach as technically flawed. The administration's current monitoring plan "is deficient in that it is not a comprehensive, technically defensible approach to maximizing the acquisition of data relevant to verification," says one CIA paper, dated Dec. 4, which circulated outside the agency. To improve monitoring, the CIA has argued that Cortez be supplemented by other measures that would also improve seismic monitoring abilities. The CIA paper suggests that the failure to make such improvements in seismic and other monitoring abilities would lead to uncertainties in applying the Cortez system. For example, the CIA paper asserts that the United States may not be able to tell for sure whether the Soviet Union is, in fact, notifying it of all tests that are 75 kilotons or greater so that Cortez could be used to monitor them. Energy Department officials are said to be concerned that the administration's plan would allow the Russians to gather sensitive information about some American tests, including research on Mr. Reagan's space-based missile defense plan. The Energy Department oversees the U.S. nuclear testing program. But other government experts strongly dispute these criticisms. They said the CIA was seeking more information about Soviet testing than the United States needed to build confidence that the treaties were being observed. "There is a delicate balance to be struck on the question of verification," said one government critic of the CIA view. "And what you are seeing are weights being piled up on one side." This official added that the new monitoring measures suggested by CIA officials represented "a lot more than we hope to get from the Russians or really need."

French Unions Seek to Expand Public Sector Strikes

PARIS — Prime Minister Jacques Chirac, trying to limit the damage from an 18-day rail strike, faces a new challenge this week as France's biggest trade union pushes to extend the walkout to all public workers. The Communist-led General Confederation of Labor, or CGT, plans one-day strikes Monday, Tuesday and Wednesday to protest the government's calling on unions for public workers. The walkouts will involve navy dockyards, the Paris transport system and the electricity and gas industries. The state-owned railroad, SNCF, reported increased service Sunday as police continued to remove pickets blocking rail lines, and some strikers returned to work. A spokesman said that more than 40 percent of long-distance trains were running compared with 25 percent Saturday. He said that

workers at 11 of 94 depots had voted to return to their posts. The SNCF called in the police to remove strikers' pickets from rail lines in Paris and in more than 18 other cities on Saturday. Robert Pandraud, the security minister, said that the police would continue to intervene to maintain minimum service and to allow workers to return. Union spokesmen denied that support for the strike was crumbling. They said major depots had voted to continue the stoppage until management agrees to discuss their demands. The CGT and the French Democratic Confederation of Labor, or CFDT, said Saturday that the strike would continue despite government assertions of a "thaw" in militancy. The strike, which began Dec. 18, is France's longest since 1968.

Authorities organized special bus and air services as tens of thousands of travelers' and Christmas and New Year holidays began returning home for the school term on Tuesday. In a separate dispute, seamen who have been on strike since Dec. 8 appeared ready to end their stoppage after an accord between the CGT and the government on plans to restructure the French fleet. Mr. Chirac, who has avoided taking a public stance on the rail strike, is to break his silence on Tuesday in a radio interview. But the leftist weekly Le Nouvel Observateur quoted him as saying privately that he would rather resign than give in to the train drivers' demands. Mr. Chirac withdrew a university restructuring bill last month after street protests by students. Commentators say his government would suffer a major blow to its credibility if it made another retreat. Management has yielded to demands that it withdraw a pay scale giving greater weight to merit payments but it has refused to discuss raising salaries beyond 1.7 percent or to pay the strikers during the stoppage. Mr. Chirac wants to limit raises to public workers to 2 percent this year to control inflation. Le Nouvel Observateur said that Mr. Chirac apparently believed that President François Mitterrand, a Socialist often at odds with his rightist prime minister, would be unable to find a replacement acceptable to the conservative-dominated Parliament. Fears that Mr. Chirac was losing control of the unions and would be forced to concede on the pay issue led the government to raise interest rates twice last week to defend the franc. Pierre Mauroy, a former Socialist prime minister, said during the weekend that Mr. Chirac's policies have led France "from five years of industrial peace to a situation of social explosion." "The government must abandon the idea of organizing France like trains — with a first class and a second class," he said.

David Maysles, Filmmaker, Dies at 54

NEW YORK — David Maysles, 54, a documentary filmmaker who, with his brother, Albert, was credited with being one of the founders of the documentary genre known as cinema verité, died here Saturday after a stroke. Mr. Maysles and his brother, who survives him, used the technological advance of a camera small and light enough to fit on a cameraman's shoulder to capture the drama of daily experience. Their films, a form they called "direct cinema" and described as the cinematic equivalent of the nonfiction novel, constituted a major departure from the more traditional documentary technique of running narration and static face-to-face interviews. The brothers' best-known documentaries were "Salesman," which chronicled the adventures of four Bible salesmen (1969); "Gimme Shelter," about a tour by the Rolling Stones rock group (1970); and

"Grey Gardens," about Edith and Edie Bouvier Beale, reclusive aunt and cousin of Jacqueline Kennedy Onassis (1975). John Bartlow Martin, 71, Writer and Diplomat HIGHLAND PARK, Illinois (UPI) — John Bartlow Martin, 71, a writer who served as ambassador to the Dominican Republic under President John F. Kennedy and as special presidential envoy there under Lyndon B. Johnson, died here Saturday of undisclosed causes. Mr. Martin started his career in Chicago as a "true crime" writer. His books include "Overtaken by Events," which documented the revolution in the Dominican Republic, and "My Life in Crime." His most recent book was "It Seems Like Only Yesterday: Memoirs of Writing, Presidential Politics, and the Diplomatic Life," published last year. ■ Other deaths Dr. Ramon Castroviejo, 82, an ophthalmologist who in a career spent mostly in the United States was a pioneer of heart transplants, Thursday of cancer failure in Madrid. W.R. Poage, 87, a Democrat who represented central Texas's 11th Congressional District for 42 years until retiring in 1978, Saturday of heart failure after emergency surgery in Temple, Texas. Donald Fleming, 81, a Conservative who was Canada's finance minister in the late 1950s, Wednesday after a stroke in Toronto. Richard Dougherty, 65, novelist and former writer for the Los Angeles Times and New York Herald Tribune, and press secretary for Senator George S. McGovern's 1972 presidential campaign, Tuesday of lung cancer in Long Island, New York.

Shamir Says Islamic Meeting Won't Break Deadlock to Peace By Patrick E. Tyler New York Times Service JERUSALEM — Prime Minister Yitzhak Shamir, reflecting a mostly unspoken sentiment among some Middle East leaders, said that the Islamic Conference Organization meeting in Kuwait later this month can do little to break the deadlock in the Middle East peace process. Instead, Western and Middle Eastern diplomatic sources in the region fear that the conference easily could degenerate into a confrontation between various delegations over such issues as U.S. arms sales to Iran, the Palestinian refugee conflicts in Lebanon and the Libyan occupation of northern Chad. The Islamic Conference last met in Casablanca, Morocco, in 1984. Mr. Shamir made his remarks Saturday in an Israeli radio interview. "I don't think that the Islamic



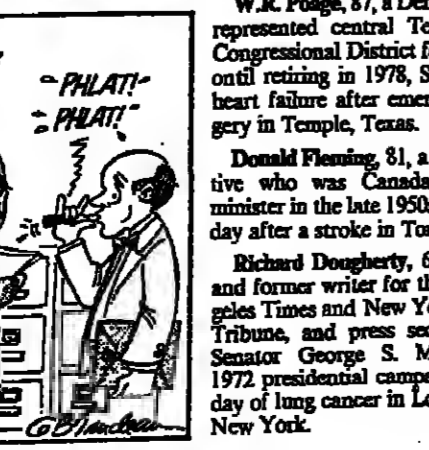
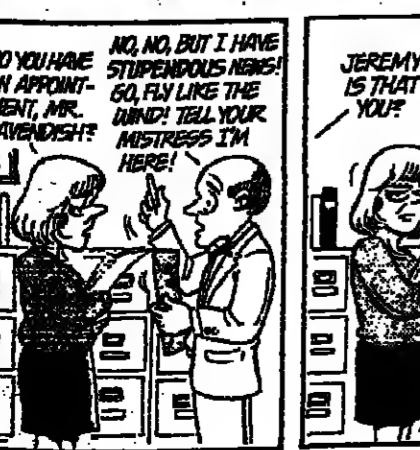
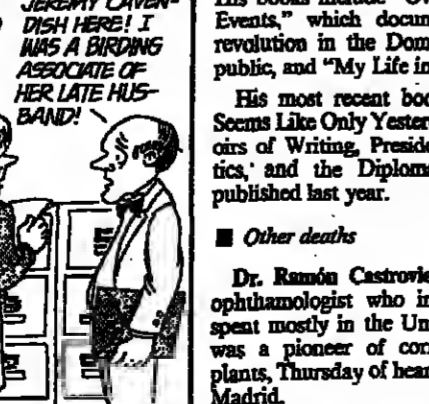
Cardinal John J. O'Connor, flanked by clerics, prays under guard at the Western Wall.

Cardinal Meets Israeli President

JERUSALEM — Cardinal John J. O'Connor, the archbishop of New York, met Sunday with President Chaim Herzog at his residence, although the residence is also the president's office. The Roman Catholic archbishop's five-day visit to Israel has been overshadowed by a dispute that erupted last week when the Vatican ordered Cardinal O'Connor to cancel meetings he had scheduled at the offices of Mr. Herzog, Prime Minister Yitzhak Shamir and Foreign Minister Shimon Peres. The Vatican has no formal ties with Israel and

refuses to recognize Israel's claim to the disputed city of Jerusalem as its capital. Israeli officials called the meeting Sunday a private visit to Mr. Herzog at his residence, although the residence is also the president's office. Church sources said that if Cardinal O'Connor officially had met Mr. Herzog at his office, it might have been misconstrued as a change of Vatican policy. "Such an arrangement could only come from the meeting of Talmudic hair-splitting and Jesuit dialectics," said an Israeli official involved in the visit.

DOONESBURY



Shamir Says Islamic Meeting Won't Break Deadlock to Peace

Conference would be a scene of a breakthrough for peace with Israel," he said. "I don't know anybody who thinks in this way." His assessment not only reflects his conservative political base, which insists on direct negotiations between Israel and its neighbors, but also reflects the general level of pessimism in Western diplomatic missions in some Arab capitals. This pessimism is rooted in the reality that there is virtually no common ground on which to negotiate. Moreover, in several countries a negative internal political climate prevents any bold negotiating ventures by national leaders. Overall, there is no outside pressure, particularly from the historical peace broker, the United States, to push the process forward. The prime minister's statement was in contrast with earlier remarks by Foreign Minister Shimon Peres, who has publicly expressed hope that the gathering of Arab state and other Islamic leaders will yield a new momentum for resolving the disputes between Israel, its neighbors and the 1.3 million Palestinians who live in territories it has occupied for 20 years. The strongest push to achieve some breakthrough at the conference has come from President Hosni Mubarak of Egypt, who, along with King Fahd of Saudi Arabia, would like to mend the rift between King Hussein of Jordan and the Palestine Liberation Organization chairman, Yasser Arafat. "Look for Arafat to meet with Hussein at the request of King Fahd" during the conference, a U.S. diplomat in the Middle East said. Hussein recently traveled to

Jordan last week to discuss preparations for the conference, and diplomatic sources in Amman said it was certain that much of the session was devoted to trying to persuade Hussein to overcome his disenchantment with Mr. Arafat. Mr. Mubarak and Hussein have reached one point of agreement. Both are strongly urging U.S. officials to accept an international Middle East peace conference that would be attended by all regional parties and by both superpowers. The United States and Israel have objected to Soviet participation in such a conference. Hussein's trip to Riyadh was connected with Saudi Arabia's pending budgetary assistance to Jordan. Jordan needs about \$250 million to meet its obligations in the coming year. Both the United States and Kuwait have committed \$50 million each to Hussein's budget.

Israel Questions Rabbi on Anti-Arab Remark By Reuters JERUSALEM — The police questioned Rabbi Meir Kahane, founder of the militant Jewish Defense League, on Sunday on suspicion of inciting rebellion by suggesting that Jews form an anti-Arab terrorist underground. Rabbi Kahane, a member of the Israeli parliament, raised the idea in a television interview more than two weeks ago after police raided two Jewish religious schools in search of illegal arms. "There should only be another Jewish underground," Mr. Kahane said in the interview. Members of an underground group, which was not linked to the rabbi, were imprisoned last year for plotting and carrying out murders and terrorist attacks. Police raided the schools after students damaged Arab property and vowed to avenge the murder of a Jewish student who was stabbed to death by three Arabs. A spokesman for Rabbi Kahane said Sunday that an Israeli police officer questioned the rabbi at the Jerusalem office of his extremist Kach movement. As a member of the Knesset, the rabbi normally would be immune from prosecution.

HANAE MORI BOUTIQUE SALES FROM MONDAY JANUARY 5th TO SATURDAY, JANUARY 10th 17/19 Avenue Montaigne 75008 Paris - Tel.: 47 23 52 03 62, Faubourg Saint-Honoré 75008 Paris - Tel.: 47 42 78 78

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01-423-1277. Prices may vary according to market conditions and other factors.

Dec. 31

Dollar Straights

Table of Dollar Straights bond prices, including columns for Issuer, Con, Mat Price, Yld, and various regional sub-sections like Australia, Canada, France, Japan, etc.

United Kingdom

Table of United Kingdom bond prices, including columns for Issuer, Con, Mat Price, Yld, and various regional sub-sections like Australia, Canada, France, Japan, etc.

Supranational

Table of Supranational bond prices, including columns for Issuer, Con, Mat Price, Yld, and various regional sub-sections like Australia, Canada, France, Japan, etc.

Yen Straights

Table of Yen Straights bond prices, including columns for Issuer, Con, Mat Price, Yld, and various regional sub-sections like Australia, Canada, France, Japan, etc.

American Exchange Options

Table of American Exchange Options, including columns for Option & price, Calls, and Puts, with various stock symbols.

Chicago Exchange Options

Table of Chicago Exchange Options, including columns for Option & price, Calls, and Puts, with various stock symbols.

Dollar Zero Coupons

Table of Dollar Zero Coupons, including columns for Issuer, Con, Mat Price, Yld, and various regional sub-sections like Australia, Canada, France, Japan, etc.

DM Zero Coupons

Table of DM Zero Coupons, including columns for Issuer, Con, Mat Price, Yld, and various regional sub-sections like Australia, Canada, France, Japan, etc.

ECU Straights

Table of ECU Straights bond prices, including columns for Issuer, Con, Mat Price, Yld, and various regional sub-sections like Australia, Canada, France, Japan, etc.

DM Straights

Table of DM Straights bond prices, including columns for Issuer, Con, Mat Price, Yld, and various regional sub-sections like Australia, Canada, France, Japan, etc.

DM Straights

Table of DM Straights bond prices, including columns for Issuer, Con, Mat Price, Yld, and various regional sub-sections like Australia, Canada, France, Japan, etc.

DM Straights

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WestLB advertisement: Fixed Income and Equities Trading - for dealing prices call: Dusseldorf, London, Luxembourg, Hong Kong. One of the leading Marketmakers. WestLB Westdeutsche Landesbank.

Who ever said that the business world is dull?



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Bombay



Brussels



Chittagong



Cologne



Colombo



Dhaka



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Gibraltar



Hamburg



Helsinki



Hong Kong



Istanbul



Jakarta



Karachi



Katmandu



Kuala Lumpur



Lausanne



London



Luxemburg



Macau



Madrid



Manila



Milan



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NASDAQ National Market

OTC Consolidated trading for week ended Friday, Jan. 2

Table with columns: Sales, High, Low, Close, Net Change. Lists various OTC securities and their trading data.

Table with columns: Sales, High, Low, Close, Net Change. Lists various OTC securities and their trading data.

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Advertisement for Banque Nationale d'Algérie. Includes logos, text in Arabic and French, and details of a \$250,000,000 Medium Term Loan facility.

Vertical text on the right edge of the page, including 'Debt In-...' and 'Last Week...'.

New International Bond Issues

Compiled by Laurence Desvillettes

Issuer	Amount (millions)	Mat.	Coups	Price	Price end week	Terms
FLOATING RATE NOTES						
Separate Pass-Through Labor Interest Transferable Securities	\$150	1991	3/4	30 1/2	—	Below 6-month Libid. No redemption of maturity. Proceeds \$44.6 million. Fees 1 1/2%. Denominations \$10,000.
Shawson Lehman CMO	\$112.48	2018	3/4	100	—	Over 3-month Libid. Callable on any interest payment date. Registered notes. Average life 8.7 years. Fees 0.50%. Denominations \$10,000.
FIXED-COUPON						
Separate Pass-Through Labor Interest Transferable Securities	\$150	1991	zero	72 1/2	—	Noncallable. Redeemable at 99% of maturity. Proceeds \$106.6 million. Fees 1 1/2%. Denominations \$10,000.
Deutsche Bank Finance	DM 600	1992	5 1/2	101	99.65	Noncallable. Fees 1 1/2%.
Deutsche Bank Finance	DM 300	1995	6 1/2	100 1/2	99.70	Noncallable. Fees 1 1/2%.
Deutsche Bank Finance	£ 100	1992	10 1/2	101 1/2	100.00	Noncallable. Fees 1 1/2%.
Kreditbank (London)	£ 50	1992	10 1/2	101 1/2	100.00	Noncallable. Fees 1 1/2%.
Denmark	cs 150	1992	9 1/2	101 1/2	—	Noncallable. Fees 1 1/2%.
Banca Nazionale del Lavoro Int'l	¥ 6,000	1997	4.70	101 1/2	—	Coupon will be 4.70% in the first 5 years, then 7 1/2%. At maturity, 60% will be redeemed in yen and balance in U.S. dollars at a fixed exchange rate of 163 yen per dollar. Noncallable. Fees 2%. Denominations 100 million yen.
Morgan Guaranty Trust (Nassau)	¥ 14,000	1992	7	101 1/2	—	Redeemable at maturity in U.S. dollars at a fixed exchange rate of 165.50 yen per dollar. Noncallable. Fees 1 1/2%. Denominations 10 million yen.

EUROBONDS: Holiday Week Sees Few New Issues

(Continued from first finance page) on the dollar appreciating against the yen during the life of both deals.

In the case of the Morgan Guaranty offer, he will be getting a higher-than-usual coupon to help compensate for that risk. The issuers are both swapping their proceeds into floating-rate U.S. dollar funding.

As the Euro market closed for the Christmas holidays, about 15 houses were trading perpetual FRN issues following the debacle in that sector of the market in early December. Prices for perennials have now recovered anywhere from 1 point to 4 points from their lows. But there is little doubt that there will be lasting repercussions from last month's problems, which essentially stemmed from worry about the trading liquidity of the nonredeemable issues.

Perennials are now traded only in lots of \$1 million and over spreads of 25 basis points, compared with the spread of 5 to 10 basis points on which dated FRNs usually are traded.

Some of the houses that stopped trading in perennials as prices fell dramatically are complaining that the larger players in the FRN market, such as CSFB, Salomon Brothers, Goldman Sachs, Merrill Lynch and Morgan Guaranty, now refuse to trade perennials with them. "We deal only with those houses that deal with us," is the standard retort of Eurobond houses that are forging steady two-way markets for the majority of undated issues.

"The first few weeks of the new year will sort out what kind of lasting liquidity there will be in the perpetual market," commented one FRN trader at a large American Eurobond house last week. "But if you don't trade perennials, you're limiting your ability to do retail business."

The importance that professionals and investors alike attach to trading liquidity in FRNs can be judged from the fact that the "jumbo" \$2.5 billion issue of dated FRNs for Britain, launched in the autumn of 1985, is traded only on an exceptional spread of 3 basis points.

SEC: Boesky Insider-Trading Case Has Bittersweet Taste

(Continued from first finance page) by the dozens of subpoenas issued by the commission's staff.

Traders say rumor-mongering about possible takeover stocks has almost dried up. And, depending on how many other lawsuits against investment bankers, takeover lawyers and stock speculators come out of the Boesky investigation, the commission could exercise this new-found leverage over Wall Street for months to come.

But despite what many see as positive results, some members of Congress, Wall Street lawyers and especially traders, who say they suffered huge losses when the stock market plunged after the Boesky disclosures, question aspects of the government's handling of the case.

Why, some ask, did the commission let Mr. Boesky to sell stocks and close out other transactions totaling \$1.4 billion to pay off large levels of debt before the set-

clampdown is Mr. Lynch, who has repeatedly refused in interviews and before Congress to divulge more than what the commission included in its court papers.

He has even declined to say how many commission lawyers are working on the case, when the Boesky investigation started or how many subpoenas the commission has issued.

"We don't want to give anyone a sense of the dimension of the case," he said.

The cautious approach has surprised even his colleagues. Another top commission official was recently explaining the trading that Mr. Boesky was permitted before the announcement of his settlement.

Interjecting himself, Mr. Lynch told his colleague, "I don't think we want to talk about any of that," and the colleague quickly closed his notebook.

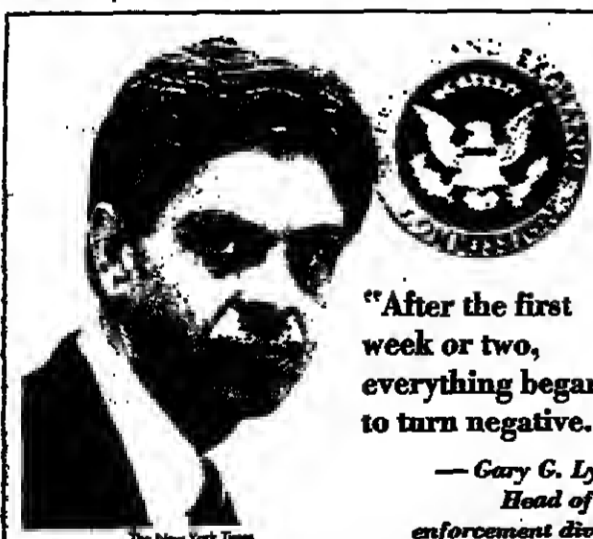
Mr. Lynch was so concerned that word of the Boesky investigation would leak out that, according to congressional sources, he limited the number of commission officials with knowledge of its existence to 20 and the number of enforcement division lawyers on the case to six.

"I still think Gary might be playing this a little too close to his vest," one commission official said. "The lack of information has permitted some big misrepresentations to get out to the public."

Among these reputed misrepresentations is a report, which the SEC denies, that Mr. Boesky videotaped conversations with other investors. Some say the report may have been deliberately floated by possible objects of SEC investigations in an effort to force premature disclosures that might aid in their own defense.

"I think there definitely are people out there in whose interest it is to make Mr. Boesky seem as bad as possible," said Harvey Pitt, one of Mr. Boesky's two lead lawyers.

Mary M. McCae, the commission's director of public affairs, said her office had received hundreds of inquiries the first two weeks after the Boesky disclosures. After the initial flurry died down, she had buttons printed for her modest staff that read "We survived Boesky."



"After the first week or two, everything began to turn negative."
— Gary C. Lynch, Head of SEC enforcement division

tlement? Did the SEC leave Mr. Boesky with some large store of hidden wealth? Was the agreement to charge him with only one felony count too lenient?

Some raise even larger questions about the ability of the commission to deter illegal schemes. They cite concern that the commission's modest budget, which amounted to

wisdom of some elements of the case.

"But we're trapped — a Catch-22," one top official said. "If we reveal too much, we will definitely jeopardize future investigations related to the Boesky case. So we have to be big boys and take the heat."

Perhaps most responsible for the

BRITAIN: Status as No. 2 Creditor Offsets Trade Slump

(Continued from first finance page) where in the economy, helping to sustain growth, improve living standards and buy more imported industrial and consumer goods.

"The invisible surplus will give Britain time to adjust to its post-oil era," said David Morrison, an economist at Goldman Sachs International Ltd. in London.

The speed of the growth in Britain's invisibles surplus has surprised many economists here. Some have revised their 1987 forecasts to make their current-account predictions less gloomy.

The current account is a broad measure of a nation's trade performance, including merchandise, services and transfer payments.

By the middle of 1986, with oil revenues falling and the merchandise trade deficit widening, some economists were warning darkly that Britain might be headed toward a recurrence of the payment gaps and currency crises of the 1960s and 1970s.

That pessimism contributed to the widespread selling of British

government securities, or gilts, as domestic and overseas investors worried about anticipated British deficits and the pound's stability.

But recently, with the strength of Britain's earnings from financial services and overseas investments becoming apparent, there has been a re-evaluation.

The growing recognition of the significance of Britain's invisibles contribution helped revive investor interest in gilts by mid-December, especially among foreign institutions.

At year-end, the yield on 10-year British government bonds was 3.45 percent, points above the yield on 10-year U.S. Treasuries.

Britain's overseas assets and invisibles surplus underlie the structural transformation of the economy during the 1980s.

Simply put, the British economy has pared down its manufacturing sector, with output falling 8 percent and employment sliced by 24 percent. The service sector, led by banking and finance, has grown by 12 percent.

Along with income from investments abroad, London's growing importance as a center of international finance has contributed greatly to Britain's invisibles surplus.

Since 1980, financial services earnings have doubled to more than \$12 billion a year. According to an analysis by Morgan Grenfell & Co., Britain's financial services income from 1980 through the first half of 1986 totaled \$53.6 billion at current exchange rates, directly offsetting the cumulative merchandise trade deficit for the same period.

Some economists and the opposition Labor Party argue that allowing the oil wealth to be invested abroad was a mistake. They reason that it accelerated Britain's decline as a manufacturing nation and contributed to the sharp rise in unemployment, now at about 13 percent.

Instead, they say, the oil surplus should have been invested in British industry or used to fund expansionary policies.

Rate Decline, Hong Kong's Economy Faces a Testing Decade

Rate Decline, Weak Data Boost T-Bill, Bond Prices

By Michael Quint
New York Times Service

NEW YORK — Spurred by a sharp drop in short-term interest rates and some economic statistics that were weaker than expected, prices of Treasury notes and bond rose modestly late last week.

The Friday advance recouped some of the declines that came earlier last week.

Financial analysts expected that the upward pressure on rates would

HONG KONG — Hong Kong has overcome the initial shock of an uncertain political future but faces critical tests in the years before the transfer of power to China in 1997, according to businessmen and economists.

They said that increasing debate over political reform in Hong Kong could harm the British territory's economy and lead to slower growth in the decade before the hand-over.

Under an accord signed in 1984, Hong Kong will revert to Chinese rule on July 1, 1997, but will retain considerable economic and civil autonomy for another 50 years.

The accord, reached after two years of often bitter wrangling, helped hard-hit property prices and the Hang Seng index, the main stock market indicator, to recover. The index surged to a new high of 2,568.30 on Wednesday, after falling as low as 746 in July 1984.

But Hong Kong faces some tough questions, such as how it will select its legislature, now filled by appointment and indirect election.

Reforms are viewed warily by China's Communist rulers, who have warned against rapid change and by the territory's businessmen.

Lord Kadoorie, chairman of the local utility China Light & Power Co. told shareholders recently, "The next few years are critical for our future development."

"I urge those who advocate rapid and significant change to our established systems to consider the divisive effect they have on our people at a time when unity is so essential."

Already there are signs that local

business is taking out insurance by diversifying overseas.

Hutchison Whampoa Ltd., the property and trading concern, and an affiliate agreed recently to spend more than 2.7 billion Hong Kong dollars (\$347 million) on a major stake in Canada's Husky Oil Ltd. and also bought a 4.9-percent stake in the British publishing and energy company Pearson PLC.

Foreign companies have moved in to fill some of the gaps.

For example, an Australian entrepreneur, Alan Bond, agreed to spend 1.4 billion dollars in October to buy prime residential property from a leading local property company, Hong Kong Land Co.

"We will see a sort of musical chairs, with local capitalists liquidating assets as a form of insurance," said Nicholas Kwan, senior analyst at consultants Business International Asia/Pacific Ltd.

The export-led economy recorded growth in gross domestic product, the total output of goods and services minus income from operations abroad, of about 6 percent last year.

But growth, though likely to be steady, may be checked by the loss of some investment capital.

John Greenwood, an economist and chairman of investment firm GT Management (Asia) Ltd., said, "Clearly there is some risk in investing in Hong Kong."

The main consequence of lost

U.S. CREDIT MARKETS

quickly subside once the credit markets got past many year-end disruptions.

Efforts of banks and other institutions to present more favorable balance sheets as of Dec. 31 caused unusual flows of funds.

In addition, bankers said, there was extra upward pressure on rates because of the rush to complete sales of assets and other transactions before the U.S. new tax bill took effect Jan. 1.

But on Friday, the upward pressure on rates subsided quickly. The overnight rate for bank loans in the federal funds market fell to about 6.375 percent from 16.17 percent on Tuesday and 14.35 percent on Wednesday.

Other short-term rates also declined. Thirty-day commercial paper fell from about 7.70 percent on Wednesday to 6.15 percent Friday.

The decline in short-term interest rates was widely expected, but it came nonetheless as a relief to securities dealers that hold large inventories of recently auctioned Treasury notes due in two, four and seven years.

The rate decline reduced the overnight cost of financing government securities from as high as 18 percent on Wednesday to 6.125 percent Friday.

The cost of financing inventories of other securities also declined. Leading banks reduced their broker loan rates to 7.25 percent or 7.5 percent Friday from 17 percent or 18 percent on Wednesday.

U.S. Consumer Rates

Item	Jan. 2
Prime Rate	5.90%
10-Year Treasury Note	6.8%
3-Month Treasury Note	5.8%
Bank Money Market Accounts	5.4%
Bank Rate	10.34%

Source: New York Times

U.S. Ended '86 On Slow Note, Purchasers Say

The Associated Press

NEW YORK — The U.S. economy ended 1986 with the same pattern of slow growth it began with, corporate purchasing managers said in a survey released Sunday.

The National Association of Purchasing Management said that, as is usual, industrial production and new orders declined in December.

Nineteen percent reported higher production, while 25 percent said output fell. Twenty-two percent reported an increase in new orders, while 23 percent said orders declined.

Employment showed a slight improvement, with 29 percent of the 250 purchasing agents surveyed reporting lower employment, compared with 32 percent in November.

"Geographic proximity enables you to get to your clients and prospects better and to gain more knowledge of the local market and

Taiwan to Seek New Markets

TAIPEI — Taiwan, hit by changes in U.S. import policy, will diversify its export markets to Europe, Asia, the Middle East and South America this year, a trade official said Sunday.

Vincenzo Sini, director of the Board of Foreign Trade, said the government would help businesses with dozens of overseas sales "blitzes" to promote exports.

The Reagan administration said Friday it was ending duty-free status on 290 products from Taiwan and seven other developing countries.

Mr. Sini said the cuts for Taiwan would total 37.5 percent or about \$1.2 billion. He said the sales blitzes would compensate for some of the export losses.

The cuts, effective from July 1, would affect several Taiwanese industries, including footwear, machine tools and furniture, he said.

He attributed the U.S. cuts and rising protectionism to Washington's record deficit on merchandise trade last year, estimated at \$17.6 billion. That would be \$25 billion more than the previous year.

Mr. Sini said Taiwan had the third-largest merchandise-trade surplus with the United States last year after Japan and Canada. He estimated the surplus at about \$13.5 billion in 1986 against \$10.2 billion a year earlier.

Taiwan recently agreed to open its market to U.S. cigarettes, wine and beer and to cut import tariffs

CHICAGO: Investment Banks Set Up Shop in Drive to Reach Customers

(Continued from first finance page) banking business today is being close to your customers."

Industry experts say that since Chicago has such heavyweights as Sears, Roebuck & Co., McDonald's Corp., Amoco Corp., Bestco, the Pritzker family and the options and futures exchanges, it is no surprise that many of New York's investment banking firms have made it their second city.

Analysts say that Boston is in third place in investment banking and Los Angeles in fourth.

"Outside of the New York City area, the largest concentration of major companies is within the 300 miles (485 kilometers) east from Milwaukee through Chicago to Detroit," said E. David Coolidge 3d, head of corporate finance at William Blair & Co., the largest Chicago-based investment banking firm.

Edgar D. Jannotta, Blair's managing partner, said that Chicago is a "great city for investment banking" because it has a stable, broad-based commercial and industrial community. "We don't have the ups and downs of the oil patch in Texas or the high-tech sector on the West Coast," he said.

Merrill Lynch & Co. has expanded its investment banking presence in Chicago to 28 professionals, from 15 in 1985. First Boston Corp. has 22 investment bankers there, up from five in 1982. Kidder, Peabody & Co., Shearson Lehman Brothers Inc., Smith Barney, Uptam & Co., and Morgan Stanley Group Inc. also have increased the size of their Chicago staffs.

First National Bank of Chicago, the city's largest bank, is making a major effort to attract investment banking business. It is involved in interest-rate swaps, Eurobond offerings and even some merger and acquisition work.

In addition, New York's commercial banking giants, such as Citicorp, are trying to grab a piece of the Midwest's investment banking pie.

"People in the Midwest prefer to be covered locally, as long as the services they receive are equal to what they get by being served out of New York," Mr. Harris said.

In recent years, everyone has tried to steal business from Goldman and Salomon by calling repeatedly on companies, learning what their problems are and explaining how different investment banking products can help them.

They often suggest Eurobond offerings, initial public offerings, or takeover targets.

James M. Denny, vice president of finance for Sears, commented, "What corporate financial officers often do is award innovation of particular investment banks by giving them a certain piece of business."

The banks' presence is also an advantage when Chicago executives want advice on a pressing problem.

For years, Donald P. Kelly, now the chairman of Bestco but formerly Esmark's chairman, had breakfast twice a week with Mr. Harris of Salomon to kick around ideas.

One day, Mr. Kelly said, he was interested in buying a consumer products company, and Mr. Harris soon arranged for Mr. Kelly's company to buy International Playtex. Last fall, Mr. Harris informed Mr. Kelly that Borden Inc. was interested in Bestco's dairy division, which made Hotel Bar butter and Meadow Gold ice cream.

"I had originally taken the position that I didn't want to sell it," Mr. Kelly said. But he said that Mr. Harris, his longtime investment banker, persuaded him to take the offer seriously, and in November he sold Bestco's dairy division to Borden for \$315 million.

"Ira had the resources to do the deal without a lot of strain," Mr. Kelly said.

Salomon Brothers, Morgan Stanley and several other firms execute many of their deals in Chicago. The Morgan Stanley office executes its securities issues and private placements, but leaves most of the work on mergers and acquisitions for New York.

By contrast, Goldman executes all of its deals in New York.

"By its nature, a regional office has to be smaller, and the people have to be generalists," said Mr. Gorter of Goldman. "They might

Genentech Buys Out 2 Units

LOS ANGELES — Genentech Inc., the California biotechnology company, has completed the \$425 million buyout of its two limited research and development partnerships.

The buyout was completed Friday. Investors in the two ventures approved the transactions, despite opposition by two limited partners, in voting that concluded Tuesday.

The limited partners received shares in Genentech, valued at \$85.50 each on the basis of Friday's closing price, in exchange for their holdings.

Investment, he said, would be growth "slightly lower than it could be."

Economists said that while the changes ahead present difficult challenges, there are also opportunities.

China has already become Hong Kong's second-largest export market after the United States and Beijing's economic modernization has created demand for capital and technology, much of it coming from the territory.

But economists say it is too early to tell whether such gains will offset expected losses.

Mr. Kwan said: "We have another two years of strong growth, but it's still a big question mark for three to five years later."

Taiwan to Seek New Markets

(Continued from first finance page) have to call in New York specialists anyway.

"And specialists could get out of the flow in regional offices; they're wouldn't be talking with their pens all the time about the latest ideas."

The mushrooming number of investment bankers in Chicago has caused some talk of a shakeout, especially amid predictions that merger activity will slow.

"The hot investment banking business in Chicago has been the restructuring of Midwestern industrial companies, but we're at the tail end of that," said Mr. Coronia of First Chicago. "Longer term, I think the big business will be financings."

Treasury Bonds

Maturity	Bid	Close	Ask	Yield	Yield
31.10	99 1/8	100	6 1/2	6.27	6.28
15.87	99 1/8	99 3/4	6 1/2	6.45	6.43
30.99	99 1/8	99 3/4	6 1/2	6.65	6.61
11.55	99 1/8	99 1/2	6 1/2	6.77	6.70
15.10	99 1/8	99 3/4	7 1/2	6.94	6.94
15.56	100 3/8	100 2/8	7 1/2	7.07	7.07
15.26	116 3/8	116 3/8	7 1/2	7.59	7.59
15.51	100 3/8	100 3/8	7 1/2	7.43	7.34

Source: Salomon Inc.

SELECTED U.S.A./I.T.E. QUOTATIONS

Company	BID	ASK
Blitzer Corp.	3 1/2	4
Chiron	21 1/4	21 1/2
Goodmark Foods	11 1/2	11 1/2
MAG Holdings	4 1/2	5 1/2
Spectradyme	17	17 1/4

WITH COMMENTS OF CONTINENTAL AMERICAN
These are indicative prices as of Dec. 30, 1986

All these notes having sold, this announcement appears as a matter of record only

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7 7/8 % BONDS DUE 1994

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Issue date: October 7, 1986

Final Maturity: October 7, 1994

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BANK OF TOKYO INTERNATIONAL LIMITED
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THE NIKKO SECURITIES CO., (EUROPE) LTD
UNION BANK OF SWITZERLAND (SECURITIES) LIMITED
WESTDEUTSCHE LANDESBANK GROSZENTRALE

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September 1986

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Co. Limited

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Table with columns: Sales in 100s, High, Low, Close, Change. Lists various stocks like Sunoco, Sunoco Energy, Sunoco Chemical, etc.

Table with columns: Sales in 100s, High, Low, Close, Change. Lists various stocks like V Band, V Band 1, V Band 2, etc.

Table with columns: Sales in 100s, High, Low, Close, Change. Lists various stocks like Winton, Winton Energy, Winton Chemical, etc.

Table with columns: Sales in 100s, High, Low, Close, Change. Lists various stocks like Zentel, Zentel Energy, Zentel Chemical, etc.

Mutual Funds

Figures as of close of trading Friday, Jan. 2.

Table with columns: Fund Name, Assets, Change. Lists various mutual funds like AARP Invest, AARP Bond, etc.

Table with columns: Fund Name, Assets, Change. Lists various mutual funds like DTC E, DTC B, etc.

Wall Street Review

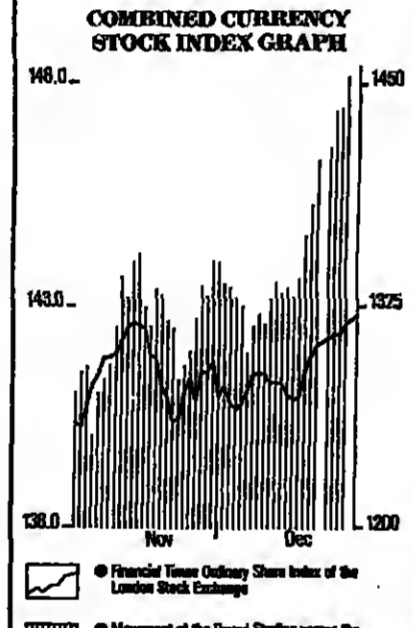
Table with columns: AMEX Most Actives, NYSE Most Actives, AMEX Sales, NYSE Sales. Lists top trading stocks and their sales.

Table with columns: AMEX Diaries, NYSE Diaries, AMEX Sales, NYSE Sales. Lists top trading stocks and their sales.

Table with columns: AMEX Sales, NYSE Sales. Lists top trading stocks and their sales.

WORLD STOCKS IN REVIEW / Via Agence France-Press

Amsterdam
Volume was extremely thin in just three days of trading on the Amsterdam stock exchange last week.



Frankfurt
Demand was tepid last week on the Frankfurt stock exchange, where trading was limited to three days because of year-end holidays.

Hong Kong
Local investors ruled the roost at the Hong Kong stock exchange last week, leading a pre-New Year's buying binge before raking in profits on Friday.

Singapore
The Singapore stock market ended 1986 on a lackluster note as an expected rally did not materialize and shares drifted lower in the absence of buying support.

London
The stock market returned from the Christmas break in good form, although turnover and attendance were well down on either side of the New Year celebration.

Paris
Anxiety caused by a national rail strike drove French share prices down 4.5 percent last week, with the CAC index finishing at 392 on Friday after four days of trading, against 407.1 on Dec. 26.

Shell Agrees to Pay U.S. \$180 Million Settlement
WASHINGTON — The U.S. Energy Department plans to settle charges of violations of oil-price controls with Shell Oil Co. for \$180 million.

Analysts had been forecasting a robust showing early in the New Year, citing good corporate results, strong foreign investment, controlled inflation and lower interest rates.

On Friday, in the absence of negotiations to end the rail strike, shares lost 2.2 percent. Credit companies were hurt by the increase in interest rates, as were shares of major exporters.

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1986 Name Changes

Table listing companies that changed their names during 1986, including AIC Holdings, American Life Insurance, etc.

ESORTS & GUIDES

Table listing various escort and guide services, including International, Escort, London, Kensington, etc.

INTERNATIONAL CLASSIFIED

Table listing international classified services, including Escort, Guide, etc.

ESORTS & GUIDES

Table listing various escort and guide services, including Escort, Guide, etc.

Marked
New York Stock Exchange 1986 Prices

1986 Consolidated Trading on U.S. Stock Markets

Market Indexes

Dow Jones Averages

Index	Open	High	Low	Close	Chg
Indus	1,527.23	1,556.57	1,525.29	1,525.29	+24.32
Trans	784.52	804.25	784.52	804.25	+19.56
Util	174.45	181.15	174.45	181.15	+6.70
Comp	413.81	427.89	413.81	427.89	+14.08

Standard & Poor's Index

Index	High	Low	Close	Chg
Indus	289.77	292.04	289.77	+24.32
Trans	127.24	132.74	127.24	+19.56
Util	51.13	53.92	51.13	+6.70
Comp	254.88	262.68	254.88	+14.08

AMEX Stock Index

Index	High	Low	Close	Chg
AMEX	265.19	268.38	265.19	+17.14

Diaries

NYSE

Index	High	Low	Close	Chg
Indus	141.75	143.92	141.75	+17.69
Trans	122.54	125.38	122.54	+17.48
Util	62.65	65.27	62.65	+10.59
Finance	157.45	159.76	157.45	+13.76

NASDAQ Index

Index	High	Low	Close	Chg
Composite	411.33	422.06	411.33	+24.61
Indus	257.28	262.29	257.28	+18.94
Trans	127.24	132.74	127.24	+19.56
Util	51.13	53.92	51.13	+6.70
Comp	254.88	262.68	254.88	+14.08

AMEX

Index	High	Low	Close	Chg
AMEX	265.19	268.38	265.19	+17.14

Sales

NYSE

Total	1986	1985	1984	1983
Total	2,878,540,000	2,180,860,000	1,518,410,000	1,030,000,000
Total	2,878,540,000	2,180,860,000	1,518,410,000	1,030,000,000
Total	2,878,540,000	2,180,860,000	1,518,410,000	1,030,000,000

AMEX

Total	1986	1985	1984	1983
Total	2,878,540,000	2,180,860,000	1,518,410,000	1,030,000,000
Total	2,878,540,000	2,180,860,000	1,518,410,000	1,030,000,000
Total	2,878,540,000	2,180,860,000	1,518,410,000	1,030,000,000

OTC

Total	1986	1985	1984	1983
Total	2,878,540,000	2,180,860,000	1,518,410,000	1,030,000,000
Total	2,878,540,000	2,180,860,000	1,518,410,000	1,030,000,000
Total	2,878,540,000	2,180,860,000	1,518,410,000	1,030,000,000

Percent Gainers

NYSE

Vol.	High	Low	Last	Close	Pct.
AT&T	27 1/2	27 1/8	27 1/2	27 1/2	+1.8
IBM	111 1/4	111 1/8	111 1/4	111 1/4	+1.5
Microsoft	34 1/2	34 1/8	34 1/2	34 1/2	+2.5
Oracle	21 1/2	21 1/8	21 1/2	21 1/2	+3.0
Unisys	28 1/2	28 1/8	28 1/2	28 1/2	+2.0
WorldCom	15 1/2	15 1/8	15 1/2	15 1/2	+1.5
Verizon	22 1/2	22 1/8	22 1/2	22 1/2	+1.0
Qwest	18 1/2	18 1/8	18 1/2	18 1/2	+1.2
Sprint	20 1/2	20 1/8	20 1/2	20 1/2	+1.8
Time Warner	12 1/2	12 1/8	12 1/2	12 1/2	+1.0
Warner Bros	10 1/2	10 1/8	10 1/2	10 1/2	+1.5
Time Warner	12 1/2	12 1/8	12 1/2	12 1/2	+1.0
Warner Bros	10 1/2	10 1/8	10 1/2	10 1/2	+1.5

AMEX

Vol.	High	Low	Last	Close	Pct.
AT&T	27 1/2	27 1/8	27 1/2	27 1/2	+1.8
IBM	111 1/4	111 1/8	111 1/4	111 1/4	+1.5
Microsoft	34 1/2	34 1/8	34 1/2	34 1/2	+2.5
Oracle	21 1/2	21 1/8	21 1/2	21 1/2	+3.0
Unisys	28 1/2	28 1/8	28 1/2	28 1/2	+2.0
WorldCom	15 1/2	15 1/8	15 1/2	15 1/2	+1.5
Verizon	22 1/2	22 1/8	22 1/2	22 1/2	+1.0
Qwest	18 1/2	18 1/8	18 1/2	18 1/2	+1.2
Sprint	20 1/2	20 1/8	20 1/2	20 1/2	+1.8
Time Warner	12 1/2	12 1/8	12 1/2	12 1/2	+1.0
Warner Bros	10 1/2	10 1/8	10 1/2	10 1/2	+1.5
Time Warner	12 1/2	12 1/8	12 1/2	12 1/2	+1.0
Warner Bros	10 1/2	10 1/8	10 1/2	10 1/2	+1.5

OTC

Vol.	High	Low	Last	Close	Pct.
AT&T	27 1/2	27 1/8	27 1/2	27 1/2	+1.8
IBM	111 1/4	111 1/8	111 1/4	111 1/4	+1.5
Microsoft	34 1/2	34 1/8	34 1/2	34 1/2	+2.5
Oracle	21 1/2	21 1/8	21 1/2	21 1/2	+3.0
Unisys	28 1/2	28 1/8	28 1/2	28 1/2	+2.0
WorldCom	15 1/2	15 1/8	15 1/2	15 1/2	+1.5
Verizon	22 1/2	22 1/8	22 1/2	22 1/2	+1.0
Qwest	18 1/2	18 1/8	18 1/2	18 1/2	+1.2
Sprint	20 1/2	20 1/8	20 1/2	20 1/2	+1.8
Time Warner	12 1/2	12 1/8	12 1/2	12 1/2	+1.0
Warner Bros	10 1/2	10 1/8	10 1/2	10 1/2	+1.5
Time Warner	12 1/2	12 1/8	12 1/2	12 1/2	+1.0
Warner Bros	10 1/2	10 1/8	10 1/2	10 1/2	+1.5

Actives

NYSE

Vol.	High	Low	Last	Close
AT&T	27 1/2	27 1/8	27 1/2	27 1/2
IBM	111 1/4	111 1/8	111 1/4	111 1/4
Microsoft	34 1/2	34 1/8	34 1/2	34 1/2
Oracle	21 1/2	21 1/8	21 1/2	21 1/2
Unisys	28 1/2	28 1/8	28 1/2	28 1/2
WorldCom	15 1/2	15 1/8	15 1/2	15 1/2
Verizon	22 1/2	22 1/8	22 1/2	22 1/2
Qwest	18 1/2	18 1/8	18 1/2	18 1/2
Sprint	20 1/2	20 1/8	20 1/2	20 1/2
Time Warner	12 1/2	12 1/8	12 1/2	12 1/2
Warner Bros	10 1/2	10 1/8	10 1/2	10 1/2
Time Warner	12 1/2	12 1/8	12 1/2	12 1/2
Warner Bros	10 1/2	10 1/8	10 1/2	10 1/2

AMEX

Vol.	High	Low	Last	Close
AT&T	27 1/2	27 1/8	27 1/2	27 1/2
IBM	111 1/4	111 1/8	111 1/4	111 1/4
Microsoft	34 1/2	34 1/8	34 1/2	34 1/2
Oracle	21 1/2	21 1/8	21 1/2	21 1/2
Unisys	28 1/2	28 1/8	28 1/2	28 1/2
WorldCom	15 1/2	15 1/8	15 1/2	15 1/2
Verizon	22 1/2	22 1/8	22 1/2	22 1/2
Qwest	18 1/2	18 1/8	18 1/2	18 1/2
Sprint	20 1/2	20 1/8	20 1/2	20 1/2
Time Warner	12 1/2	12 1/8	12 1/2	12 1/2
Warner Bros	10 1/2	10 1/8	10 1/2	10 1/2
Time Warner	12 1/2	12 1/8	12 1/2	12 1/2
Warner Bros	10 1/2	10 1/8	10 1/2	10 1/2

OTC

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AT&T	27 1/2	27 1/8	27 1/2	27 1/2
IBM	111 1/4	111 1/8	111 1/4	111 1/4
Microsoft	34 1/2	34 1/8	34 1/2	34 1/2
Oracle	21 1/2	21 1/8	21 1/2	21 1/2
Unisys	28 1/2	28 1/8	28 1/2	28 1/2
WorldCom	15 1/2	15 1/8	15 1/2	15 1/2
Verizon	22 1/2	22 1/8	22 1/2	22 1/2
Qwest	18 1/2	18 1/8	18 1/2	18 1/2
Sprint	20 1/2	20 1/8	20 1/2	20 1/2
Time Warner	12 1/2	12 1/8	12 1/2	12 1/2
Warner Bros	10 1/2	10 1/8	10 1/2	10 1/2
Time Warner	12 1/2	12 1/8	12 1/2	12 1/2
Warner Bros	10 1/2	10 1/8	10 1/2	10 1/2

Can Wall Street's Biggest-Ever Party Continue?

By John Crudele
New York Times Service

NEW YORK — On Aug. 13, 1982, with the United States stumbling out of a recession, the Federal Reserve Board used its vast powers over interest rates to try to bring the economy out of its slump; in doing so, it touched off the Great Bull Market of the 1980s.

Four and a half years later, Wall Street is wondering whether the most successful millionaire maker of all time can continue to romp for at least one more year. And while there is seldom anything resembling a consensus in the investment community, many market experts are convinced that stock prices can continue to rise as long as interest rates go no higher than current levels.

"I'm reminded of that quote by Mae West, who said, 'Too much of a good thing is wonderful,'" said John Hotchkis, whose firm, Hotchkis & Wiley in Los Angeles, is keeping the \$2.5 billion it manages for 25 institutional investors almost entirely in the stock market.

Even though corporate earnings did not live up to expectations this past year, Wall Street triumphed, thanks in large part to some heavy first-half gains, spurred by lower interest rates on competing bond investments. The Dow Jones industrial average, which tracks the action of 30 of the nation's biggest stocks, rose 22.6 percent in 1986, far outpacing the broader indexes of the New York, American and over-the-counter stock markets.

The blue-chip Dow index even threatened to catapult through the vaulted 2,000 level during December, before pulling back. On Wednesday, it closed at 1,895.95, not far off its record of 1,957.57 set Dec. 2.

To put those numbers in perspective, the Dow closed at just 788.05 on that Friday in August 1982 when the Federal Reserve cut the discount rate, which is the all-important rate it charges its member banks for loans. In the 52 months since then, in what has become by some measures the second-best bull market in history both in terms of percentage gains and duration, investors have made an estimated \$50 billion in paper profits from equities. That vast sum far surpasses any gains scored in such a span.

A.C. Moore, head of research at Argus Research, for instance, is predicting that the stock market will climb 15 percent in 1987, which will correspond closely to the amount he thinks corporate earnings will rise.

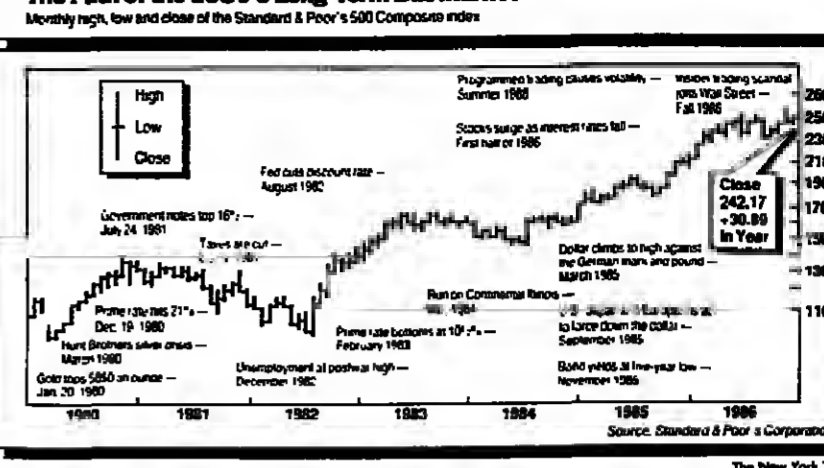
But Mr. Moore believes that most of the gain will come in the latter part of the year. In early 1987, he fears, stock prices will come under pressure because of poor economic conditions.

Yet even the most ardent supporters of the market realize stock prices go in both directions. As Mr. Hotchkis put it: "It won't last forever. We still live in a cyclical world, and no one has yet found the whereabouts of the tooth fairy."

The cycle that people are most worried about these days is an economic one. Even with the Fed combing softness in the nation's economy through a friendly monetary policy, corporations for the most part are still reporting mediocre profits.

Standard & Poor's Corp. predicts that moderate to good earnings growth will be experienced by the retailing industry, bank-

The Path of the 1980's Long-Term Bull Market



ing, drugs, insurance, and microcomputer software companies. A turnaround will take place, it predicts, for computer makers and the closely related semiconductor industry.

Staying in the dumps, it believes, will be the auto and oil industries, while profits for the military industry will remain at about this year's levels.

Brokerage firms, as always, differ on where to invest in 1987. Prudential-Bache Securities Inc., for instance, is recommending the home-building industry, as well as paper and forest products stocks.

In those groups, it likes Georgia-Pacific, Great Northern Nekeosa, Hovnanian Enterprises, Kaufman & Broad, Lennar Corp. and Ryland Group. Among other stocks it finds attractive are Anheuser-Busch, the beer maker; Arkansas Best, a trucking company; and Gannett, a newspaper publisher.

But Wall Street is also keeping a wary eye on other things, insider-trading scandals and tax reform, although monumental news events in 1986, may not yet have had a full-blown impact on the stock market. And new trading techniques — notably the split-second programs used by professionals to participate simultaneously in futures, options and stocks — could have an even more profound effect on who is willing to play the market in the years to come.

"We are in a bull market, but we have not had the traditional third leg of the bull market," said Allen Sinai, chief economist with Shearson Lehman Brothers, who predicts the next upturn will still occur. "The reason has been disappointing economic growth and disappointing profits."

More than 50 economists recently surveyed by Eggert Economic Enterprises Inc. of Sedona, Arizona, estimate, furthermore, that the nation's inflation-adjusted gross national product will rise a modest 2.5 percent in 1987. In the middle of 1986, those same economists were predicting more energetic GNP growth of 3.5 percent.

Standard & Poor's, whose stock indexes are some of the most carefully watched on Wall Street, said corporate profits improved just 11.2 percent during 1986. That was far below the approximate 20-percent rise the 500 companies that make up S&P's biggest index had been expected to enjoy. The early prediction for 1987: a 20-percent profit jump.

Profits in the stock market, meanwhile, have been so enormous that some experts fear they cannot continue to grow — especially without getting a forceful assist from a better economy.

Said Leonard Heine Jr., who manages \$1 billion worth of other people's money through Management Asset Corp., based in Westport, Connecticut: "1986 was so much more than people expected, and it was due primarily to the destruction of interest rates. People were looking for places to put money. And I don't think any of us, in our wildest dreams, anticipated a market reaching 2,000 by the end of 1986."

Lower interest rates help the stock market by diverting money from other investments. Indeed, money has come out of low-paying certificates of deposit and money market funds, for instance, and gone into stocks. But there is little evidence that corporate profits are picking up a windfall from lower credit costs.

"Nowhere do we see any fundamentals that support a market staying at this level," said Mr. Heine. "You have, to say the least, a very sluggish economy."

Taking a slightly broader historical view, however, might justify the gains. "If you look at it in the longer-term context, by taking into account the fact that the market was so weak during the late 1960s and all during the '70s, I think you would draw a slightly different conclusion," said Lawrence Chimner, chief economist of Chase Econometrics of Bala Cynwyd, Pennsylvania.

"To some extent, I think we are just catching up to a weak and undervalued stock market in those prior years."

The biggest mystery of 1987, market experts agree, will be the insider-trading scandals that have rocked Wall Street. Nearly everyone expects the Securities and Exchange Commission's lasso to catch others who might have helped Ivan F. Boesky, the now deposed king of Wall Street arbitrageurs, illegally reap enormous profits on corporate takeovers.

But the Boesky situation could end up having its biggest effect on corporate takeovers, which have proved very profitable these last few years not only for Wall Street professionals but also for the average investor who happens to find himself holding stock in a company that gets bought out.

New York Stock Exchange 1986 Prices

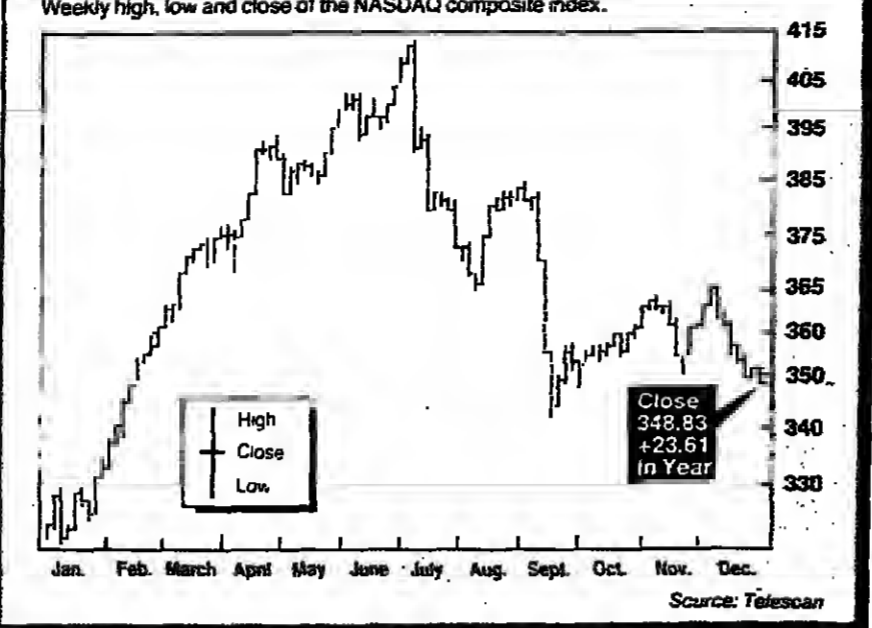
12 Month High	12 Month Low	Stock	Vol.	P/E	Val.	High	Low	Close	Chg	Pct.
34 1/2	34 1/8	AAB	13	17	220	34 1/2	34 1/8	34 1/2	+1.8	+5.3
111 1/4	111 1/8	AAE	4	14	1,500	111 1/4	111 1/8	111 1/4	+1.5	+1.4
34 1/2	34 1/8	AAI	12	15	1,200	34 1/2	34 1/8	34 1/2	+2.5	+7.3
21 1/2	21 1/8	AAJ	11	12	800	21 1/2	21 1/8	21 1/2	+3.0	+14.3
28 1/2	28 1/8	AAK	10	11	700	28 1/2	28 1/8	28 1/2	+2.0	+7.1
15 1/2	15 1/8	AAQ	14	16	1,000	15 1/2	15 1/8	15 1/2	+1.5	+9.4
22 1/2	22 1/8	AAU	11	12	800	22 1/2	22 1/8	22 1/2	+1.0	+4.5
18 1/2	18 1/8	AAV	13	14	900	18 1/2	18 1/8	18 1/2	+1.2	+6.7
20 1/2	20 1/8	AAW	12	13	800	20 1/2	20 1/8	20 1/2	+1.8	+9.0
12 1/2	12 1/8	AAZ	10	11	700	12 1/2	12 1/8	12 1/2	+1.0	+8.3
10 1/2	10 1/8	AAA	11	12	800	10 1/2	10 1/8	10 1/2	+1.5	+14.3
12 1/2	12 1/8	AAA	11	12	800					

WALL STREET IN 1986: Over-the-counter results trailed the other markets

NASDAQ National Market 1986 Prices

Table of NASDAQ National Market 1986 Prices, listing various stocks with their 12-month high/low, stock price, volume, and percentage change.

The NASDAQ Performance in 1986



Weekly high, low and close of the NASDAQ composite index. Source: Telescan

Table of NASDAQ National Market 1986 Prices (Continued), listing various stocks with their 12-month high/low, stock price, volume, and percentage change.

12 Month High Low Stock Yld. PE Vol. High Low Close Chng. Pct.

Table of 12 Month High Low Stock Yld. PE Vol. High Low Close Chng. Pct., listing various stocks with their 12-month high/low, stock price, volume, and percentage change.

Mutual Fund 1986 Pri

WALL STREET IN 1986: Offshore mutual funds led the pack

Mutual Fund 1986 Prices

Table of mutual fund prices for 1986, including columns for fund names, 12-month high/low, and percentage change.

Table of mutual fund prices for 1986, including columns for fund names, 12-month high/low, and percentage change.

NASDAQ National Market 1986 Prices

Table of NASDAQ National Market prices for 1986, including columns for stock names, 12-month high/low, and percentage change.

SPORTS

SPORTS BRIEFS

Kookaburra III Gains Defender-Final Berth

World Cup Ski Races to Swiss, Swede

LAAX, Switzerland (AP) — Franz Heinzer won a downhill race Sunday to give Swiss skiers their 14th World Cup victory in 26 men's and women's races this season.

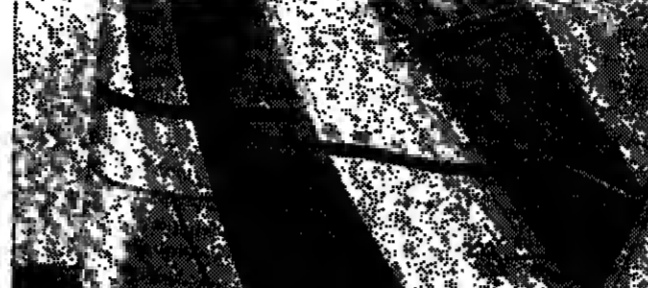
By Ruth Youngblood United Press International
PREMANTLE, Australia — Kookaburra III harnessed strong winds Sunday for a crushing 8:57 victory over staminate Kookaburra II in the America's Cup defender semifinals to nail down one of two final berths.

Australia IV must win one of the remaining two races against Kookaburra II or Kookaburra III to wrap up the other final berth.

The victor in the defender finals will meet the winner of the best-of-seven challenger clash between Dennis Comer's Stars and Stripe and New Zealand's fiberglass 12-meter.

Czechoslovaks Beat Soviets in Hockey

CALGARY, Alberta (AP) — Goaltender Dominik Hasek stopped 19 of 21 shots Saturday night as Czechoslovakia upset the Soviet Union, 3-2, to win the gold medal at the Calgary Cup hockey tournament.



Australia IV, here tacking behind Kookaburra II, was disqualified from Saturday's race.

Kookaburra II still has a mathematical chance of ousting Australia IV and moving the finals into a monopoly by Kevin Parry's boats.

Jones is hoping for a rematch against Comer, the 1983 loser. "He's the biggest and meanest sucker in the forest," Jones said.

Quotable

Penn State Coach Joe Paterno, asked to compare his 1986 national champions to his 1982 title team: "I need a little time to think. I'm groggy. I had a couple of players in my room at 3 A.M. looking for a case of beer." (L47)

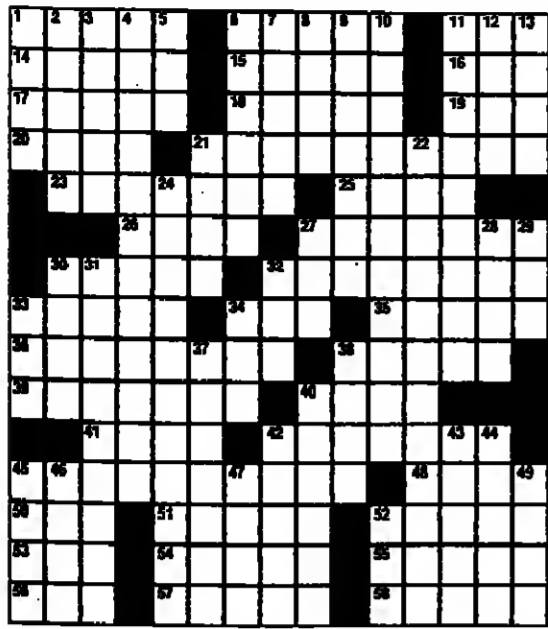
PEANUTS

YES, MA'AM... I GUESS IT WAS KIND OF A MESSY PAPER... I'VE TRIED BUT I CAN'T BE NEAT LIKE MARCIE HERE.

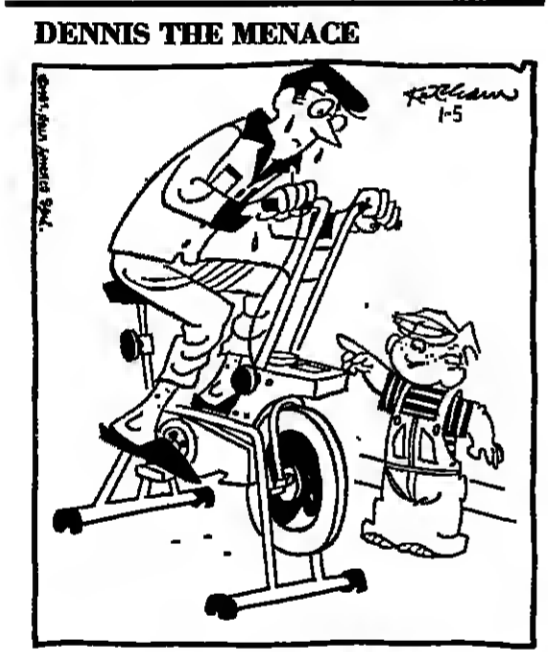
NASDAQ National Market 1986 Prices. Table with columns for 12 Month High, Low, Stock, Yld, PE, Vol, High, Low, Close, Chg, Pct Chg.

NASDAQ Volume. Total NASDAQ share volume for each year. 1986: 26,658,897,000; 1985: 19,281,412,800; 1984: 15,158,819,587; 1983: 15,908,547,400; 1982: 8,432,274,800.

Large table of NASDAQ market data including various stock symbols, prices, and volume information.



ACROSS
1 House flipper
6 The entire range
11 With-it
14 Asian capital
18 Convex molding
14 "Doc" Horne" author
17 Fla. entertainment ctr.
18 Movie cowboy
19 — culpa
28 Thaw
21 An objective for Sally?
23 Small falcon
25 Bit
26 "B.C." character
27 Bruce Jenner, e.g.
34 Actor Milo
32 Cajoles
33 Father, to Fabius
34 — Cayes, Haitian seaport
35 Yorkshire city
36 Song from "Fintan's Rainbow"
38 Pub measures
39 With garish vividness
40 Performer Turner.



JUMBLE. THAT SCRAMBLED WORD GAME. Unscramble these four jumbles. One letter to each square, to form four ordinary words.

WEATHER. Table with columns for EUROPE, ASIA, AFRICA, LATIN AMERICA, NORTH AMERICA, MIDDLE EAST, OCEANIA. Includes high and low temperatures for various cities.

BEETLE BAILEY. HEY, SARGE! YOUR HOLOGRAPH SAYS YOU'RE COMING INTO A LOT OF MONEY!

BLONDIE. HI, ELMO, WHAT'S THE MATTER? OUR CHRISTMAS TREE IS IN THE TRASH!

ANDY CAPP. CH-CHH. HI, YER PET. A THUMP AT THE RIGHT TIME IS BETTER THAN A KISS AT THE WRONG TIME, ENH?

WIZARD OF ID. GIR POWNEY REPORTING FROM COURTYARD SURVEILLANCE SURE.

REX MORGAN. ARRIVING AT THE HOSPITAL AHEAD OF LIZ FELTON, DR. REX MORGAN VISITS WITH HER HUSBAND LARRY.

GARFIELD. ATTENTION, LOUNGE LIZARDISTS! IS YOUR WEEK IN THE SUNSHINE? WE BEGIN CELEBRATING "NATIONAL LAZY WEEK!"

ARMORED TRUCK. DIDN'T YOU SEE MY STOP SIGNAL?

WIZARD OF ID. WHAT HAPPENED? YOU LOOK LIKE YOU'VE BEEN IN A FIRE!

REX MORGAN. YES! YOU WERE THE VICTIM OF A REAL CON GAME! WE'RE SURE THAT YOU NEVER HAD ANY PHYSICAL CONTACT WITH MONICA—WHO IS NOT MELANIE'S MOTHER!

WIZARD OF ID. THE PEASANTS PICKED AN TREE TO BURN YOU IN EFFIGY!

REX MORGAN. ARE YOU SAYING THAT I'M NOT MELANIE'S FATHER? I-I LOVE THAT CHILD REX!

GARFIELD. WHAT'S SO GREAT ABOUT BEING LAZY, YOU SAY?

GARFIELD. WHAT IF WAR WERE DECLARED AND NOBODY SHOWED?

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Seize the world. The International Herald Tribune. Bringing the World's Most Important News to the World.

SPORTS

Penn State Picks Off Miami, National Title

By Michael Wilbon
Washington Post Service
TEMPE, Arizona — DJ. Dozier's six-yard run with 8:13 remaining, two plays after Vinny Testaverde threw the fourth of his five interceptions, gave second-ranked Penn State a 14-10 victory over No. 1 Miami in the Fiesta Bowl and its second national championship in five years.

Charles Henry, the tight end, on fourth down at Penn State's 20, ended one drive.
The Hurricanes don't need good field position to move the ball. But they dropped four passes, turned the ball over three times and committed four penalties early in the half. That was enough to negate their 137-yard edge in total yardage in the first quarter.

luctantly, ducked his head and ran four yards into the end zone, and the game was tied, 7-7, with just over a minute to play in the half.
The third quarter was 15 more minutes of offensive frustration for both teams, although each forced turnovers in the other's territory.



Chicago's Doug Flutie, pressured by the Redskin defense: "Things just weren't clicking."

SCOREBOARD

Basketball

Table with columns for Eastern Conference, Western Conference, and NBA Standings. Lists teams like Boston, Philadelphia, and their respective records.

Table for U.S. College Scores, listing various college basketball games and their results.

Table for Hockey, listing National Hockey League Standings for various teams.

Hockey

National Hockey League Standings

Table with columns for Eastern Division, Western Division, and NHL Standings. Lists teams like Boston, New York, and their records.

Table for World Cup Skiing, listing results for various skiing events.

Table for American Cup, listing results for various sailing events.

Bears Are Dethroned by Redskins, 27-13

By Michael Janofsky
New York Times Service

CHICAGO — The Chicago Bears' season of success and turmoil came to a stunning end here Saturday when the defending National Football League champions were beaten by the Washington Redskins in the divisional round of the playoffs.

Giants Win, Jets Beaten

The Associated Press

EAST RUTHERFORD, N.J. — The New York Giants moved into a game of their first Super Bowl by thrashing the San Francisco 49ers, 49-3, on Sunday as Phil Simms passed for four touchdowns.

World Cup Skiing

Men's Downhill (at Innsbruck, Austria) 1. Franz Heberer, Switzerland, 1:54.04. 2. Peter Winkler, Austria, 1:54.04. 3. Erwin Koch, Austria, 1:54.04.

Vantage Point/George Vecsey

If It Ain't Broke, Don't Fix It

New York Times Service

PHOENIX, Arizona — March 1997. Liberty Baptist College is here in the Santa Catalina Mountains in the Arizona desert.

European Soccer

English First Division

Manchester City 1, West Ham 0. Liverpool 1, Arsenal 1. Tottenham 1, Manchester United 1.

Transition

Baseball

TEXAS — Signed Steve Carlton, infielder, to a one-year contract.

Football

Fiesta Bowl (at Tempe, Arizona)

Miami, Fla. 14, Penn State 10. Pittsburgh 10, New York Jets 7.

Table for American Cup, listing sailing events and results.

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